



2004

Classic Fair Use of Trademarks: Confusion About Defenses

David W. Barnes

Teresa A. Laky

Follow this and additional works at: <http://digitalcommons.law.scu.edu/chtlj>



Part of the [Law Commons](#)

Recommended Citation

David W. Barnes and Teresa A. Laky, *Classic Fair Use of Trademarks: Confusion About Defenses*, 20 SANTA CLARA HIGH TECH. L.J. 833 (2003).

Available at: <http://digitalcommons.law.scu.edu/chtlj/vol20/iss4/1>

This Article is brought to you for free and open access by the Journals at Santa Clara Law Digital Commons. It has been accepted for inclusion in Santa Clara High Technology Law Journal by an authorized administrator of Santa Clara Law Digital Commons. For more information, please contact sculawlibrarian@gmail.com.

ARTICLES

CLASSIC FAIR USE OF TRADEMARKS: CONFUSION ABOUT DEFENSES

David W. Barnes[†] and Teresa A. Laky[‡]

ABSTRACT

The United States Supreme Court granted certiorari in *K.P. Permanent, Inc. v. Lasting Impressions, Inc.* recognizing an undeniable split in the federal Courts of Appeals. The Ninth Circuit held that the classic fair use defense to trademark infringement was available only if there was an absence of confusion resulting from an alleged infringer's descriptive use of a term registered by another as a mark. By contrast, the Second Circuit has held that the fair use defense may permit a person to use another mark despite evidence of confusion. Other circuits have taken intermediate positions. Commentators question whether fair use is truly a defense at all, or just a way to rebut the mark owner's evidence of consumer confusion.

This article argues that the goals of trademark law are best served by recognizing that a fair use defense is applicable, even if some confusion is likely. Mark owners' interest in the goodwill associated with their marks, consumers' interests in both freedom from confusion and information about market alternatives, and society's interest in a competitive market require a balancing test for fair use. This article emphasizes the weight to be given to the competitive benefit of access to trademarked terms by analogy to the policy of denying trademark protection to functional product designs. Accordingly, confusion is relevant to, but not dispositive of, the fair use defense.

This article proposes a balancing test allowing reasonable access to an owner's mark for descriptive purposes. It explains how the balancing test works by identifying types of evidence useful in

[†] Distinguished Research Professor of Law, Seton Hall University Law School.

[‡] Daniel J. Moore Scholar, Seton Hall University Law School.

addressing the balancing test and illustrates its application by addressing the facts of *KP Permanent*, which the Supreme Court will decide in its next term. Other fair use tests in trademark law as well as copyright law support adoption of this approach.

INTRODUCTION

Federal Courts of Appeals disagree about when a person should be permitted to use another's trademark. One view is that the right to use a term descriptively is dependent on that user's proof that no confusion is likely to result.¹ The contrasting view is that the rights are independent; descriptive use of another's trademark is permitted even if some confusion results. On January 9, 2004, the United States Supreme Court granted certiorari in *K.P. Permanent Make-Up, Inc. v. Lasting Impression Inc.* ("*K.P. Permanent II*"),² which squarely presents the conflict between the federal Courts of Appeals. This article argues that no federal circuit approaches classic fair use cases correctly. We propose a balancing test that recognizes conflicting policy considerations and mediates between the concerns of the circuits.

Most of the elements in a case involving a classic fair use defense are undisputed. It is not disputed that the relevant elements of a mark owner's infringement claim are its prior right to the mark and the likelihood of confusion arising from the alleged infringer's use. Further, it is undisputed that two of the elements of an alleged infringer's fair use defense are: (1) descriptive rather than source-indicating use of the mark; and (2) fairness or good faith (which we consider together). We argue that likelihood of confusion is relevant

1. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 28 Reporter's Note cmt. b (1995) [hereinafter RESTATEMENT (THIRD)] (observing that the case law reflects substantial uncertainty regarding the nature of the fair use doctrine: "Many cases apparently view fair use as relevant only to the likelihood of confusion, thus precluding reliance on the doctrine whenever confusion is likely [citing cases from the Ninth Circuit, the Fifth Circuit, and federal District Courts of New York (Southern District), Pennsylvania (Western District), and New Jersey]. Other cases, however, recognize fair use as an independent defense to infringement [citing cases from the Fifth Circuit and federal District Courts in New York (Southern District), New Jersey, and Illinois (Northern District)]."). The Restatement, which adopts the view that fair use is an independent defense notes that leading commentators disagree on whether fair use is properly considered a rebuttal to the mark owner's prima facie case of infringement or an independent defense; *Id.* (citing J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 11:47, n.42 (4th ed. 2003) [hereinafter MCCARTHY] ("The better view is that it is inconsistent to find both likely confusion and a fair use."); SIEGRUN D. KANE, TRADEMARK LAW: A PRACTITIONER'S GUIDE § 12:2.4[C] (2003) ("So long as defendant's use is descriptive, in good faith, and not as a trademark, it will be permitted – even if it causes likely confusion.")).

2. ___ U.S. ___, 124 S.Ct. 981 (2004).

to both elements of the defense, but dispositive of neither. This approach rejects the Ninth Circuit's requirement that the defendant gets no benefit from the classic fair use defense if there is any likelihood of confusion.³ The balancing approach also rejects the opposing view that a finding of confusion is independent of the right to use descriptive terms, and the mark holder takes the risk of confusion by adopting a descriptive mark.⁴

Part I of this article identifies policy objectives that inform a sensible understanding of the classic fair use defense. If trademark law's only goals were avoiding consumer confusion and promoting competition by protection of the trademark owner's goodwill, descriptive use should be denied whenever confusion is likely. If trademark law's goals include enhancing informed choices by consumers and promoting competition by facilitating entry into markets, permitting non-mark use of descriptive terms should sometimes be permitted. The policy analysis sets the foundation for an appreciation of the split between circuits, and an understanding of the balancing test and the evidence relevant to it.

In Part II, this article describes the procedural history, facts, and relevant rulings by the United States District Court for the Central District of California and Court of Appeals for the Ninth Circuit in *K.P. Permanent I*, insofar as they relate to the fair use defense, the strength of the plaintiff's mark, and the incontestable status of that mark.

In Part III, this article describes the relevant statutory language and how federal Courts of Appeals analyze classic fair use cases. In the circuits, likelihood of confusion is either fatal to a fair use defense or merely plays a supportive role in determining whether an alleged infringer's use is fair.⁵ No court considers a balancing test mediating among the conflicting objectives of trademark law.

We apply our resolution of the classic fair use issue and to the case before the Supreme Court in Part IV. The classic fair use defense applies only when the alleged infringer's fair, good faith use

3. *K.P. Permanent, Inc. v. Lasting Impression I, Inc.*, 328 F.3d 1061, 1073 (9th Cir. 2003) [hereinafter *K.P. Permanent I*] (stating that "the fair use defense claimed by KP is a classic fair use defense that requires that there not be a likelihood of confusion.").

4. See, e.g., *Car-Freshner Corp. v. S.C. Johnson & Son, Inc.*, 70 F.3d 267, 270 (2d Cir. 1995) (ordering summary judgment for the defendant on a fair use claim and stating "[i]f any confusion results to the detriment of the markholder, that was a risk entailed in the selection of a mark with descriptive attributes").

5. Compare *K.P. Permanent I*, 328 F.3d at 1073 and cases cited *infra* notes 43–44.

of a term is not as a mark, but only as a description.⁶ Part IV.A argues that courts in fair use cases ought to consider the inherent or acquired distinctiveness of the owner's mark, the likelihood of confusion resulting from the alleged infringer's use, the commercial impression created by the alleged infringer's use, and the harm to competition and consumers from forbidding others' descriptive use of the term. Preventing confusion plays both an independent role as one of the objectives of trademark law and a supporting role. Under the balancing test presented in this section, likelihood of confusion is only one of several factors relevant to whether the defendant's use is "as a mark" or "only to describe." But it is also one factor relevant to the balancing implicit in deciding whether the use is fair. This second consideration of likelihood of confusion in a fair use analysis distinguishes our balancing test from the analyses employed by the various Courts of Appeals. We argue that because descriptive terms are analogous to functional product designs, they should be reasonably available and in the public domain, even if some confusion results.

Part IV.B demonstrates that courts do not explicitly balance the factors we have identified, but often do consider these factors in analyzing whether the descriptive use was fair and in good faith. Because likelihood of confusion is only one consideration in deciding each element, the fair use defense may apply even though there is some likelihood of confusion. Because evidence unrelated to confusion is relevant to fair use, fair use is presented as a defense rather than simply a rebuttal of the plaintiff's prima facie case of infringement, as suggested by leading commentators. The fair use defense requires a balancing of harms and benefits to consumers and competition not relevant to the plaintiff's primary infringement claim.

In Part IV.C, we support the argument in favor of balancing harms and benefits in classic fair use cases by analogies to the other intellectual property defenses. The trademark infringement defenses of nominative, comparative, and artistic fair use employ balancing tests, as does the fair use defense in copyright law.

In Part IV.D, the application of the balancing test to the facts of *K.P. Permanent I* illustrates how public policy considerations are applied to a particular case. We recommend that the Supreme Court remand to the Ninth Circuit for reconsideration in light of the need to balance competing policy objectives. The Ninth Circuit may ultimately remand to the District Court to develop the record more

6. See 15 U.S.C. § 1115(b)(4) (2000).

fully. The reasons for remanding to the District Court would be dramatically different from those stated by the Ninth Circuit in *K.P. Permanent I*.

Part V considers whether the balancing approach recommended in this article is consistent with the goals of the Lanham Act's incontestability provisions. Our proposal has no effect on the first purpose identified by the Supreme Court, which is to quiet title by establishing a conclusive presumption regarding the mark's validity and the mark owner's right to use the mark. Our suggested balancing approach furthers the Court's other two goals by promoting registration and encouraging investment in goodwill.

The balancing test we propose allows reasonable access to an owner's mark for descriptive purposes. On one side of the scale are the inherent or acquired distinctiveness and strength of that mark and the likelihood of confusion created by the other's use. The benefits associated with descriptive uses of marks are balanced against the harm to mark owners from loss of distinctiveness and to consumers from confusion. Descriptive terms provide information about alternatives, which enables competitors to attract customers and consumers to purchases goods and services commensurate with their needs. Moreover, a balancing test for the classic fair use defense is consistent with the goals of trademark law, since adopting a balancing test would make the defense of classic fair use consistent with other fair uses defenses in intellectual property law.

I. PROMOTING COMPETITION THROUGH THE LANHAM ACT: BALANCING THE RIGHTS OF MARK OWNERS, CONSUMERS, AND DESCRIPTIVE USERS

Striving to promote the appropriate level of competition, the Lanham Act addresses conflicting interests. The Lanham Act grants exclusive trademark rights to "secure to the owner of the mark the goodwill of his business and to protect the ability of consumers to distinguish among competing producers."⁷ But the Lanham Act also restricts exclusive trademark rights when another's use of a mark is fair. Thus, there is a spectrum of possible trademark protection, where at one extreme, exclusive use of a trademark is protected absolutely; at the other extreme, exclusive use of a trademark is given little protection, and others are also allowed to make certain limited use of the mark. Trademark law promotes competition both by

7. Park 'N Fly, Inc. v. Dollar Park and Fly, Inc., 469 U.S. 189, 198 (1985).

protecting mark-owners' goodwill and also by protecting competitors' right to use another's mark in a descriptive way. It protects consumers by enabling them to rely on a mark as a source and quality indicator and also by allowing them to receive information about alternative goods and services. Each of these goals is described below. In determining the appropriate level of competition, both sets of goals should be considered and balanced.

A. The Goodwill and Competition Objective

Exclusive protection of trademark rights benefits producers by protecting their investment in a mark's goodwill. Protecting goodwill encourages mark owners to invest in associating the mark with a reputation and identity by establishing a presence in the market.⁸ The value of the mark depends on the mark owner's ability to maintain consistent product quality, whether high or low, and send trustworthy signals about its goods to consumers:⁹ "His mark is his authentic seal; by it he vouches for the goods which bear it; it carries his name for good or ill. If another uses it, he borrows the owner's reputation, whose quality no longer lies within his control."¹⁰

Protecting goodwill also promotes competition. A new entrant to a market can use their own distinctive marks to establish brand recognition as well as a reputation for providing goods with reliable qualities and characteristics. By informing consumers about alternatives, new entrants use marks and establish goodwill to compete against existing suppliers to satisfy consumer demands.

B. The Consumer Protection Objective

Ultimately, the benefit of protecting mark owners' goodwill is to consumers, who may rely on the qualities and characteristics of the supplier's goods conveyed through the mark and appreciate the advantages of vigorous competition.¹¹ This lowers prices and increases available alternatives to satisfy consumers' diverse tastes.¹²

8. See *Quality Inns Int'l, Inc. v. McDonald's Corp.*, 695 F. Supp. 198, 209 (D. Md. 1988) (considering the extent of the mark owner's rights in current and future, related markets).

9. See William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 268-70 (1987) (exploring the benefits and costs of recognizing trademark rights) [hereinafter Landes and Posner].

10. *Yale Elec. Corp. v. Robertson*, 26 F.2d 972, 974 (2d Cir. 1928).

11. Landes and Posner, *supra* note 9, at 269.

12. The Supreme Court, in *Wal-Mart Stores, Inc. v. Samara Bros. Inc.*, 529 U.S. 205, 213 (2000), construed the Lanham Act as protecting consumer choice stating, with respect to trademark protection of product design, "Consumers should not be deprived of the benefits of

This reliance reduces consumers' cost of seeking information about goods, including not just reading labels, advertising, and literature, but acquiring experience by buying and rejecting unsuitable goods.

Allowing others to use an owner's mark may confuse consumers about the source, obscuring information about the goods, and raising search costs:

The purpose for which the trademark law accords merchants the exclusive right to the use of a name or symbol in their area or commerce is *identification*, so that the merchants can establish goodwill for their goods based on past satisfactory performance, and the consuming public can rely on a mark as a guarantee that the goods or services so marked come from the merchant who has been found to be satisfactory in the past.¹³

Thus, an action for trademark infringement by a mark owner requires proof that use by the other is likely to cause confusion as to the source of the goods.¹⁴

C. The Consumer Choice Objective

Nonexclusive trademark rights in a term may also function to benefit consumers and competition. Vigorous competition and consumer choice is promoted by granting competitors the right to use terms descriptively, even if those terms are reserved by others as trademarks.

competition with regard to the utilitarian and esthetic purposes that product design ordinarily services by a rule of law that facilitates plausible threats of suit against new entrants based upon inherent distinctiveness.”; *See also* *United States v. E.I. du Pont de Nemours & Co.*, 351 U.S. 377, 425 (1954) (stating that buyers who have reasonable alternatives to a particular seller's product are entitled to competition within the industry because “such competition may lead to lower prices and improved quality”).

13. *Virgin Enters. Ltd. v. Nawab*, 335 F.3d 141, 147 (2d Cir. 2003).

14. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 769 (1992) (“It is, of course, also undisputed that liability under § 43(a) requires proof of likelihood of confusion.”) (citing to the Lanham Act); *See also*, *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 461 (7th Cir. 2000) (stating that, to prevail on a Lanham Act claim, a plaintiff must establish that (1) her mark is protectable, and (2) the defendant's use of the mark is likely to cause confusion among customers); *Quality Inns Int'l, Inc. v. McDonald's Corp.*, 695 F. Supp. 198, 209 (D. Md. 1988) (“There are but two inchoative elements that must be establish for entitlement [to sanction in a trademark infringement action], from which all permutations and guises of the cause of action are derived: the senior owner of the mark must demonstrate (1) the adoption and use of a mark and his entitlement to enforce it, and (2) the adoption and use by a junior user of a mark that is likely to cause confusion that goods or services emanate from the senior owner.”). Proof of these two elements is required for both federal claims in *K.P. Permanent II*: trademark infringement under 15 U.S.C. § 1114, and unfair competition under 15 U.S.C. § 1125(a).

At the same time, efficiency and the public interest require that every merchant trading in a class of goods be permitted to refer to the goods by their name, and to make claims about their quality. Thus, a merchant who sells pencils under the trademark *Pencil* or *Clear Mark*, for example, and seeks to exclude other sellers of pencils from using those words in their trade, is seeking an advantage the trademark law does not intend to offer. To grant such exclusivity would deprive the consuming public of the useful market information it receives where every seller of pencils is free to call them pencils. The trademark right does not protect the exclusive right to an advertising message—only the exclusive right to an identifier.¹⁵

The Supreme Court has recognized that the Lanham Act embodies Congress' response to concern for commercial monopolization of descriptive terms.¹⁶ If the owner's designation comprises terms that are useful, even traditional, ways to describe a good or its qualities, competition will be stifled if others are not allowed to use those terms. The more necessary the descriptive term is to accomplishing those objectives, the greater the benefit to competition and consumers from allowing access. By permitting limited third-party rights to use an owner's mark descriptively, the mark owner's competitors are better able to inform consumers about alternatives, which in turn expands the range of consumer choices and reduces prices.

Both the mark owners' interest in exclusive rights and others' interest in limited access promote competition and aid consumers. The challenge is to find the appropriate limit on exclusive rights. Using another's mark may inform consumers or mislead them. Classic fair use arises when a person uses another's mark, not as an indicator of the source of the product, which would mislead, but only to describe the person's product, which would inform. Each classic fair use case presents a conflict between confusion arising from misleading consumers about the source of the goods, and enhanced competition through increased information about alternatives. No circuit recognizes that consideration of the defense requires a balancing of pro and anticompetitive effects.

Other fair use defenses in trademark law do recognize the inherent balancing process.¹⁷ As Part IV explains, for example, the

15. *Virgin Enters. Ltd. v. Nawab*, 335 F.3d 141, 147 (2d Cir. 2003) (citations omitted).

16. *Park 'N Fly v. Dollar Park and Fly*, 469 U.S. 189, 201 (1985). *See also id.* at 214–15 (Justice Stevens dissenting) (stating that there is a well-recognized public interest in prohibiting the commercial monopolization of descriptive phrases).

17. *See infra* Part IV.D.

tests for nominative and comparative fair use balance the user's and consumers' interest in identification and comparison to the mark owner's interest in the mark's source identifying power and goodwill. Artistic fair use explicitly balances the user's and public's interest in free expression with the consumers' interest in avoiding confusion about the source of goods. Courts do not recognize the same need for balancing in classic fair use cases.

II. *K.P. PERMANENT* IN THE NINTH CIRCUIT



K.P. Permanent II involves a trademark dispute between competitors in the permanent makeup industry.¹⁸ Lasting Impression I, Inc. ("Lasting Impression") has an incontestable trademark used since April 1992 in connection

with its line of permanent makeup pigments. The mark consists of the term "micro colors" set in white, within a black box, as appears in the margin.¹⁹

K.P. Permanent, Inc. ("KP") has used the term "micro color" on its flyers since 1990 and on its bottle labels since 1991.²⁰ KP's use on the bottles consisted of the word in full capitals followed by the name of the color in the bottle, e.g., "MICROCOLOR: BLACK." In



1999, KP began to use the term in its marketing brochures.²¹ The brochures contain a chart displaying the various colors in which KP's product is available. Above the chart is a title or label containing the term "micro color"

in a stylized format appearing over the word "pigment" beside a graphic of a vial with pigment spilling from it, as shown here. These

18. Permanent makeup is pigment injected into the skin in a medical or cosmetic procedure called "micropigmentation" to produce a result similar to tattooing. *K.P. Permanent Make-up, Inc. v. Lasting Impression I, Inc.*, 328 F.3d 1061, 1065 (9th Cir. 2003).

19. *Id.* at 1073, app. A.

20. *Id.* at 1065.

21. *Id.* at 1066.

design features appeared over the word “chart.” Each of the words appears in a different typeface.²²

After receiving a cease and desist letter from Lasting Impression in 2000, KP sought a declaratory judgment asserting that Lasting Impression’s mark was incapable of receiving protection because it was either generic or merely descriptive.²³ In response to Lasting Impression’s counterclaim that KP’s use infringed its mark, KP argued that, even if Lasting Impression had an exclusive right to the mark, Lasting Impression could not show a likelihood of confusion, and thus, KP was entitled to fair use of the term.²⁴ Both moved for summary judgment, which the District Court granted to KP.²⁵ Lasting Impressions appealed to the Ninth Circuit,²⁶ which reversed and remanded,²⁷ holding that: (1) a classic fair use defense “requires that there not be a likelihood of confusion;”²⁸ and (2) “there are genuine issues of material fact concerning the likelihood of confusion.”²⁹ Though the two parts of this holding are related, it is with respect to the first part that the Federal Courts of Appeals are split and that the United States Supreme Court has granted certiorari.

III. THE CLASSIC FAIR USE DEFENSE IN THE COURTS OF APPEALS

The classic fair use defense is codified in § 33(b)(4) of the Lanham Act,³⁰ which says that it shall be a defense to an allegation of infringement of an incontestable mark:

That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark . . . of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party . . .

22. *Id.* at 1073, app. B. The four-sided (or ten page) brochure on glossy card stock does not mention the words “micro color” or the word “microcolor” except as a heading for a chart of pigment colors that, according to K.P. Permanent, “describe[s] exactly what the chart is.” Appellee’s Brief at 11, 26, *K.P. Permanent, Inc. v. Lasting Impression I, Inc.*, 328 F.3d 1061 (9th Cir. 2003) (No. 01-56055), available at 2002 WL 32103626 [hereinafter Appellee’s Brief] (describing brochure as four-sided and as having 10 pages or sides).

23. *K.P. Permanent*, 328 F.3d at 1065.

24. *Id.* at 1066.

25. *Id.* at 1061.

26. *Id.* at 1061.

27. *Id.* at 1073.

28. *Id.* at 1073.

29. *K.P. Permanent*, 328 F.3d at 1073.

30. 15 U.S.C. § 1115(b)(4) (2000).

This statutory provision mentions neither goodwill nor likelihood of confusion, and it does not define what uses may be “fair.” Courts agree that this codification of the fair use defense applies to cases involving infringement of marks that have not become incontestable.³¹

Determining when the fair use defense applies involves balancing the competing objectives of goodwill and competition, consumer protection, and consumer choice. The Second and Ninth Circuits’ decisions regarding the fair use defense reflect the weight each circuit puts on these objectives and represent opposite policy approaches to classic fair use. The Second Circuit makes likelihood of confusion irrelevant,³² while the Ninth Circuit makes likelihood of confusion determinative.³³

The Second Circuit’s rule that likelihood of confusion and fair use³⁴ may coexist heavily favors the consumer choice objective. If likelihood of confusion does not block a defendant’s fair use defense, a mark may be used by a competitor to describe its competing product, thereby increasing availability of information about alternatives to consumers. For example, a distributor of abstracts on news coverage may fairly use the name of the source of the news article to designate the source from which the abstract was written.³⁵ It also lowers entry barriers for other competitors that want to break into the market but would have been deterred from doing so if they were not able to use another’s mark to describe their product to consumers. Thus, the Second Circuit’s approach enhances consumer choice and vigorous competition by keeping more descriptive terms in the public domain.

31. See e.g., *M.B.H. Enterprises, Inc. v. WOKY, Inc.*, 633 F.2d 50, 52 n.2 (7th Cir. 1980); MCCARTHY, *supra* note 1, at § 11:49.

32. See *Cosmetically Sealed Indus., Inc. v. Chesebrough-Pond’s USA Co.*, 125 F.3d 28, 30 (2d Cir. 1997).

33. *K.P. Permanent*, 328 F.3d at 1071–73.

34. *Cosmetically Sealed Indus.*, 125 F.3d at 30. The plaintiff marketed its lip gloss with the registered trademark “sealed with a kiss,” and the defendant used the phrase “seal it with a kiss” as part of its promotional materials to sell its new line of lipsticks. *Id.* at 29. The Second Circuit was unsympathetic to the plaintiff’s trademark infringement claim: “If any confusion results, that is a risk the plaintiff accepted when it decided to identify its product with a mark that uses a well known descriptive phrase.” *Id.* at 30.

35. *Nihon Keizai Shimbun, Inc. v. Comline Business Data, Inc.*, 166 F.3d 65, 69, 73–74 (2d Cir. 1999). Comline had used Nihon’s mark “Nikkei Weekly” in the reference line of its abstracts. *Id.* at 73. The Court of Appeals for the Second Circuit found that use was fair because it would “be impossible to identify the source of the factual information without using a registered trademark of the source” and defendants had not acted in bad faith. *Id.* at 73–74.

The Ninth Circuit's rule prevents confusion and protects goodwill by recognizing the fair use defense only when there is no likelihood of confusion.³⁶ For example, a first manufacturer of VCRs could label its videocassette jacks "VCR 1" and "VCR 2" even though a second manufacturer had the registered mark "VCR 2" for its dual cassette VCR.³⁷ Consumers would not think the videocassette jack labeled VCR 2 indicated that the product's source or sponsorship was from the second manufacturer.³⁸ This high standard³⁹ for attaining fair use status reflects a policy of protecting a producer's investment in making its mark recognizable to consumers as an indicator of source and quality. It also prevents consumers' confusion about source, and hence, mistakes about the qualities and characteristics of the products they buy.

Some courts note that where there is no confusion, the alleged infringer does not need a defense at all.⁴⁰ The Ninth Circuit's approach turns the defense into a way to challenge the mark owner's evidence of likelihood of confusion. Some commentators have agreed with this interpretation of the role of fair use. Thomas McCarthy, in his highly regarded trademark law treatise, stated that:

fair use should be viewed as merely one type of use which is not likely to cause confusion and hence is a 'defense' only in that sense. Because the paramount goal of the law of trademarks is to prevent likely confusion, a showing of likely confusion should trump a 'fair use.'⁴¹

Aside from the inconsistency of calling fair use a "defense" when it is really just a rebuttal argument, focusing only on confusion eliminates

36. *Playboy Enters., Inc. v. Netscape Communications Corp.*, 354 F.3d 1020, 1029 (9th Cir. 2004) (denying summary judgment on fair use defense because there was a genuine issue of material fact as to likelihood of confusion and holding that "[a] fair use may not be a confusing use").

37. *In re Dual-Deck Video Cassette Recorder Antitrust Litig.*, 11 F.3d 1460, 1466 (9th Cir. 1993).

38. *Id.* at 1467.

39. *K.P. Permanent, Inc. v. Lasting Impression I, Inc.*, 328 F.3d 1061 (9th Cir. 2003), *petition for cert. filed*, 2003 WL 22429005 (U.S. Aug. 18, 2003) (No. 03-409) [hereinafter *Petition for Cert.*]. In its petition for certiorari, Petitioner commented that the Ninth Circuit's absence of confusion requirement was an "extra element", *id.* at *10, that "is unsupported by the statutory language of the Lanham Act itself." *Id.* at *15.

40. "If a fair-use defense is not to be considered when there is a likelihood of confusion, then it is never to be considered. The fair-use defense comes into play only when infringement—including a likelihood of confusion—has been established." *Shakespeare Co. v. Silstar Corp. of America, Inc.*, 110 F.3d 234, 243 (4th Cir. 1997).

41. MCCARTHY, *supra* note 1, at § 11.47.

the defense in the only situation where it is really needed, when the mark owner has made out a *prima facie* case of infringement.

The approaches of the Second and Ninth Circuits fail to recognize that competing objectives serve important interests to both consumers and producers. In this article we advocate a more balanced approach to recognizing the competing interests in a fair use defense. The balance stems from the treatment of likelihood of confusion as neither determinative nor irrelevant, but rather, as one of several factors to be considered and balanced in a fair use analysis.

Most circuits that have considered the role of likelihood of confusion in a fair use defense under § 33(b)(4) have held that fair use is possible even when there is likelihood of confusion.⁴² The Second Circuit takes this position to the extreme by making likelihood of confusion, as a factor in itself, irrelevant and thereby overemphasizing policy supporting competition.⁴³ Other circuits have not been as drastic and have at least discussed likelihood of confusion in a fair use defense analysis.⁴⁴ Most commonly, courts weave likelihood of confusion into a fair use analysis by using it to

42. The Second, Fourth, Fifth and Seventh Circuits have held that likelihood of confusion and fair use may coexist. See *Cosmetically Sealed Indus., v. Chesebrough-Pond's USA Co.*, 125 F.3d 28, 30 (2d Cir. 1997); *Shakespeare Co. v. Silstar Corp. of Am.*, 110 F.3d 234, 243 (4th Cir.1997); *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178, 1189 n.30 (5th Cir. 1980); and *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d 1055, 1059 (7th Cir. 1995). The Sixth and Ninth Circuits have held that they may not. See *PACCAR Inc. v. TeleScan Technologies, L.L.C.*, 319 F.3d 243, 256 (6th Cir. 2003); *Lindy Pen Co. v. Bic Pen Corp.*, 725 F.2d 1240, 1248 (9th Cir. 1984). The First, Eighth and Federal Circuits have examined likelihood of confusion in the context of a fair use defense but have not reached this particular issue. *Leathersmith of London, Ltd. v. Alleyn*, 695 F.2d 27, 31 (1st Cir. 1982); *Microware Sys. Corp. v. Apple Computer, Inc.*, 238 F.3d 989, 990 (8th Cir. 2001); *Cortland Line Co. v. Orvis Co.*, 203 F.3d 1351, 1361-62 (Fed. Cir. 2000).

43. See *Cosmetically Sealed Indus. v. Chesebrough-Pond's USA Co.*, 125 F.3d 28, 30 (2d Cir. 1997), *supra* note 34. However, other Second Circuit cases recognize that likelihood of confusion may be relevant in determining other elements in the fair use defense. *Venetianaire Corp. of Am. v. A & P Import Co.*, 429 F.2d 1079, 1082 (2d Cir. 1970) (finding likelihood of confusion relevant to determining whether a term is used as a mark); *EMI Catalogue P'ship v. Hill, Holliday, Connors, Cosmopolus Inc.*, 228 F.3d 56, 66-67 (2d Cir. 2000) (finding likelihood of confusion relevant in determining whether the defendant acted in good faith).

44. For example, the Fifth Circuit is "convinced that even if there were a likelihood of confusion, the defendant would still be entitled to its fair-use defense." *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178, 1189 n.30 (5th Cir. 1980). But the Fifth Circuit also recognizes that the absence of confusion is helpful to a fair use defense. *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 976 (5th Cir. 1983) (considering differences between plaintiff's packaging of "Fish-Fri" and defendants' packaging of "fish fry" substantial enough so that no confusion was likely).

determine whether the elements of the fair use defense⁴⁵ have been met.⁴⁶

Likelihood of confusion thus plays a supporting rather than independent role in many circuits. Evidence of confusion may, for instance, be used to indicate that a defendant's use of the plaintiff's mark was not descriptive⁴⁷ or was not used "otherwise than as a mark."⁴⁸ Similarly, whether a defendant's use of another's mark was intended to deceive the public or appropriate the plaintiff's goodwill in the mark, and thereby cause confusion, is relevant to the good faith prong of the fair use defense.⁴⁹ Even the Second Circuit, which has held that likelihood of confusion is no bar to the fair use defense,⁵⁰ has at times used evidence of likelihood of confusion to determine whether the fair use factors "otherwise than as a mark"⁵¹ and good faith⁵² have been met.

45. Fair use requires that use of another's mark be (1) "otherwise than as a mark," (2) descriptive and (3) "in good faith". 15 U.S.C. § 1115(b)(4).

46. See *infra* Part IV (discussing the relevance of likelihood of confusion to good faith).

47. For example, in *Resorts of Pinehurst, Inc. v. Pinehurst Nat. Corp.*, 148 F.3d 417, 423 (4th Cir. 1998), the Fourth Circuit found that defendant's use of "Pinehurst" was not descriptive because it was not limited to informing the public of the geographical location of their golf course. The Fourth Circuit affirmed the District Court's decision that the plaintiff's "evidence of confusion showed that [defendants] were not making fair use" of plaintiff's mark.

48. See, e.g., *Venetianaire Corp. of Am. v. A & P Import Co.*, 429 F.2d 1079, 1082 (2d Cir. 1970) (using likelihood of confusion as evidence that defendants intended to use similar design as a mark).

49. See, e.g., *Leathersmith of London, Ltd. v. Alleyn*, 695 F.2d 27, 31 (1st Cir. 1982) (finding good faith where "there is no evidence of any intent to deceive customers or to appropriate plaintiff's good will"); *Schafer Co. v. Innco Mgmt. Corp.*, 995 F.2d 1064, *2 (unpublished table decision) (4th Cir. 1993) (finding the defendant acted in good faith for purposes of the fair use defense because its billboards that incorporated plaintiff's mark "were not designed or used to confuse the traveling public"); *M. B. H. Enters., Inc. v. WOKY, Inc.*, 633 F.2d 50, 54 (7th Cir. 1980) (finding that defendant acted in good faith when it used phrases such as "WOKY loves Milwaukee" and "I love Milwaukee" because it "did not act with the intent to confuse the public" even though plaintiff's term, "I love you Milwaukee" was similar).

50. See *Cosmetically Sealed Indus., Inc. v. Chesebrough-Pond's USA Co.*, 125 F.3d 28 (2d Cir. 1997) (discussed in detail *supra* note 31).

51. In *Venetianaire Corp. of Am. v. A & P Import Co.*, 429 F.2d 1079, 1081 (2d Cir. 1970), the plaintiff sold mattress covers with their mark "Hygien" written on a green oval with a white cross in the center. The defendant also sold mattress covers with its mark "Hygenic" written on a red oval with white cross in the center. *Id.* Although the defendant conceded that its design was confusing, it asserted the fair use defense. *Id.* at 1082. The Second Circuit disagreed, finding that the confusingly similar mattress covers were evidence that the defendant intended to use their design and word "Hygenic" as a trademark. *Id.* at 1082.

52. See, e.g., *EMI Catalogue P'ship v. Hill, Holliday, Connors, Cosmopolos Inc.*, 228 F.3d 56, 66-67 (2d Cir. 2000) (determining that good faith in a fair use defense should be treated the same as in an infringement claim because "the good faith inquiry in a fair use analysis necessarily concerns the question whether the user of a mark intended to create consumer confusion as to source or sponsorship").

Using likelihood of confusion as a relevant but not dispositive factor in fair use is a better approach to fair use than the Second and Ninth Circuit approaches for two reasons. First, it gives courts discretion to strike an appropriate balance among the competing policy objectives. Second, it recognizes both the supporting and independent roles of confusion. Analytically, the balancing approach uses likelihood of confusion to evaluate the explicit elements of the fair use defense in section 33(b)(4) of the Lanham Act, specifically whether a term is used as a mark or to describe and whether it was used in good faith.⁵³ Avoiding confusion is also an independent policy objective. Explicit recognition of this independent role alleviates the concern that likelihood of confusion should not be considered as an element in the fair use defense because it is not in the statutory language.⁵⁴ By allowing likelihood of confusion to be a factor in determining fair use, this approach does not treat likelihood of confusion as an element and thus prevents it from being dispositive. The balancing approach means that fair use is truly a defense, and not just a means of rebutting the mark owner's evidence of likelihood of confusion.

Neither the petitioner nor the respondent in *K.P. Permanent* advocates this flexible approach to balancing trademark law's competing policy objectives. KP urged the Supreme Court to resolve the conflicts between the circuits in favor of the Second Circuit's approach,⁵⁵ while ignoring the cases in which the Second Circuit uses likelihood of confusion in a supporting role.⁵⁶ Lasting Impression recognized that a number of circuits have used likelihood of confusion in some fashion in a fair use analysis, but mischaracterizes those circuits' analyses as being the same as the Ninth Circuit's.⁵⁷ Thus, respondent urges the Supreme Court to adopt the Ninth Circuit's rule. Both of these positions would emphasize one set of trademark policy goals at the expense of the other. Rather than adopting either of these narrowly focused rules, the Supreme Court should consider a more balanced approach that weighs both competing objectives.

53. See *supra* notes 45–52 and accompanying text.

54. See *supra* note 39.

55. In the Petitioner's view, the Second Circuit's approach is "the common sense interpretation of the statute" because it does not "embellish it w/ an extra requirement." Petitioner's Brief, No. 03-409, 2003 WL 23015039, at *7 (U.S. Dec. 17, 2003).

56. See *supra* notes 51–52 and accompanying text.

57. Respondent's Brief, No. 03-409, 2003 WL 22977864, at *1 (U.S. Dec. 8, 2003). See *supra* note 42.

IV. BALANCING CONFUSION AND FAIR USE

The fact that the variables of interest may each be arrayed on a continuum facilitates the balancing of competing objectives. The extent of goodwill embodied in a mark and the extent of harm likely from another's use may range from slight (for new, highly descriptive marks) to significant (for famous marks). The likelihood of confusion and harm to consumers is a continuum of probabilities ranging from possible to actual. The use of a term may be obviously source-indicating, such as EXXON for petroleum products, or obviously descriptive, such as FRESH SQUEEZED for orange juice. Alternatively, a term's use may send a mixed commercial impression (a highly stylized combination of a descriptive term combined with graphic art appearing on packaging). The benefit to others from descriptive access to a term is a continuum depending, among other things, on the availability of substitute terms. For example, there are few substitutes for the term "forest green" describing a color but many ways of saying "inexpensive". The good faith of a use varies on a continuum from innocent and heedful of the mark holder's rights or intentionally exploitative of its goodwill.

When balancing these relevant public policy factors, a more nuanced resolution of a fair use case is possible. A use is fair if the benefit to competition and consumers from the descriptive use is greater than the harm to competition and consumers from confusion. Balancing is possible and sensible from a policy perspective because the factors relevant to achieving policy goals fall on continua. In some cases, the likelihood of confusion is small enough and the descriptiveness of the term great enough that the use is fair. In others, the reverse is true.

We propose a standard that allows third parties reasonable access to an owner's mark for descriptive purposes. On one hand, the balance considers the inherent distinctiveness of that mark or strength acquired through secondary meaning or, for a registered mark, continuous use in commerce for five or more years after registration, as well as the likelihood of confusion created by the other's use. The likely harm to consumers and the owner's goodwill is balanced against the competitive necessity for access to the descriptive use given available alternative means of description, and of preventing confusion by using the mark in a context creating a descriptive, rather than source-indicating, commercial impression. The relevant evidence on each of these points is of a sort commonly reviewed in trademark cases.

There is support for this resolution in the Lanham Act §33(b)(4), in Supreme Court and Federal Circuit opinions describing the classic fair use defense, in courts' approaches to nominative, comparative, and artistic fair use in trademark law as well as fair use in copyright law.

A. Factors Relevant to Fair Use

Inattention to trademark law's objectives has led to disagreement about the role of likely confusion in classic fair use cases. Focusing on those goals reveals that the likelihood of confusion arising from another's use of an owner's mark is only one factor in the analysis that can be offset by other considerations. Likelihood of confusion is an independent factor in the balance because it indicates harm to consumers. Likelihood of confusion also plays a supporting role in demonstrating the harm to a mark owner's goodwill, how a mark is used, and good faith. Other relevant factors to be balanced along with harm to consumers from confusion are harm to the competitive process, harm to the mark owner from loss of goodwill, informational benefits to consumers through descriptive use of terms and related benefits to the competitive process. No federal courts explicitly balance the benefits and harms from descriptive use. This section considers the relevance of confusion and other factors to the fair use defense.

1. Fair Use, Goodwill, and Competition

When an owner's mark is used for purposes other than designation of source, its ability to function as a trademark is diminished, harming both the owner and the competitive process.⁵⁸ The harm to each depends on the mark's ability to designate source, which affects its value, and how others use the mark, which affects the extent of diminution in value. The mark's value as a source-designator is measured by the goodwill associated with the mark, which depends on the mark's distinctiveness, whether inherent or created by the owners' investment. Protecting marks' distinctiveness supports the competitive process by allowing entrants to promote their products as different from existing products. Competition normally drives down prices and leads to greater consumer satisfaction.⁵⁹

58. See *supra* note 13 and accompanying text.

59. See *supra* note 12 and accompanying text.

These considerations are related to one another, yet distinct from consumer confusion. Goodwill may suffer even without confusion, as the tort of dilution, codified in Section 43(c) of the Lanham Act⁶⁰ illustrates. Similarly, nominative, comparative, and artistic uses of a mark may dilute the value of a mark without causing confusion as to source.⁶¹

A mark's distinctiveness is a function of: (1) the term's inherent distinctiveness as a source-indicator; (2) the mark-holder's successful investment of resources in establishing consumer recognition of the mark and the product characteristics the mark signals; and (3) registration and continuous use as a source-indicator over a long period of time. Harm to owners' goodwill from another's use depends on these same indicia of distinctiveness. Until a term becomes distinctive, it cannot produce for its owner or yield to consumers the signaling benefits of a trademark. As a mark becomes more distinctive, the potential for harm to the owner's goodwill increases.

Evidence of the distinctiveness of a mark, and hence, the amount of harm to goodwill, may refer to each of these three sources of distinctiveness. Inherently distinctive terms are those suggestive, fanciful, or arbitrary terms that, in the context of their use, are likely to have only a source-indicating function, that is, consumers are unlikely readily to perceive another purpose for which the seller is using the term.⁶² Merely descriptive terms, by contrast, are not distinctive unless they have acquired secondary meaning indicating that, "in the minds of the public, the primary significance of a product feature or term is to identify the source of the product rather than the product itself."⁶³ Courts are intimately familiar with methods for evaluating the inherent distinctiveness of marks.⁶⁴

60. 15 U.S.C. § 1125 (c) (2000).

61. See *infra* Part IV.D.

62. Wal-Mart Stores, Inc. v. Samara Bros., Inc., 529 U.S. 205, 210–11 (2000) ("[A] mark is inherently distinctive if '[its] intrinsic nature serves to identify a particular source. In the context of word marks, courts have applied the now-classic test originally formulated by Judge Friendly, in which word marks that are 'arbitrary' ('Camel' cigarettes), 'fanciful' ('Kodak' film), or 'suggestive' ('Tide' laundry detergent) are held to be inherently distinctive.'" (citations omitted)).

63. Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 851 n.11 (1982), most recently quoted in *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 37 (2003).

64. More recent Supreme Court cases include *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205 (2000) (considering distinctiveness of product design); *Qualitex Co. v. Jacobson Prod. Co., Inc.*, 514 U.S. 159 (1995) (considering distinctiveness of use of color as a trademark); and *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992) (considering distinctiveness of trade dress).

Distinctiveness alone does not ensure goodwill. Regardless of whether a mark is classified as capable of becoming distinctive (with secondary meaning) or inherently distinctive, successful investment can create or enhance goodwill. Much of the same evidence that is relevant to proof of secondary meaning is relevant here. Such evidence of acquired goodwill might include: advertising efforts, size, sales, and any similar evidence that potential buyers had been exposed to the seller's mark, as well as proof of intentional copying.⁶⁵ Courts conventionally begin their opinions in infringement cases with recitations of facts like these in order to describe the parties' respective roles in the relevant market.

Distinctiveness also comes from long and continuous use. Incontestability status based on registration and five years of continuous use ensures, subject to exceptions not relevant here, the validity of the owner's mark.⁶⁶ Validity is a separate issue from the mark's strength or value.⁶⁷ One function of the incontestability provision, however, is to encourage producers to cultivate goodwill.⁶⁸ Accordingly, it seems appropriate to recognize that incontestable marks have some goodwill, though the actual length and continuity of use will be more relevant to the extent of goodwill and potential loss. Optimally, all three sources of evidence of goodwill will be considered together.

The greater the detrimental effect to owner and competition as well as to the consumer through confusion from use by others, *ceteris paribus*, the greater is the goodwill associated with a mark.⁶⁹ Because

65. *Heartland Bank v. Heartland Fin., Inc.*, 335 F.3d 810, 819 (8th Cir. 2003) (quoting 2 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARK AND UNFAIR COMPETITION § 15.30 (4th ed. 1999)).

66. 15 U.S.C. § 1065 (2000).

67. MCCARTHY, *supra* note 1, at § 11:74.

68. *Park 'N Fly v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 198 (1985).

69. The Lanham Act, § 43(c)(1)(A)–(H), 15 U.S.C. 1125(c)(1)(A)–(H) (2000), lists factors relevant to proving whether a mark is famous and distinctive:

- (A) the degree of inherent or acquired distinctiveness of the mark;
- (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;
- (C) the duration and extent of advertising and publicity of the mark;
- (D) the geographical extent of the trading area in which the mark is used;
- (E) the channels of trade for the goods or services with which the mark is used;
- (F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought;
- (G) the nature and extent of use of the same or similar marks by third parties; and

another's use may diminish the inherent or acquired distinctiveness of a mark, the value of a mark's goodwill is relevant to the fair use inquiry independent of whether there is confusion.

2. Fair Use, Likelihood of Confusion, and Harm to Competition

Source-confusion resulting from another's use of a mark harms consumers by distorting the signal regarding the source, qualities, and characteristics of the good.⁷⁰ This harm is independent of the harm done to the inherent distinctiveness of the mark and the owner's investment in it. Courts are intimately familiar with the importance of consumer confusion in infringement cases and each federal circuit has adopted its own factors for determining when confusion is likely.⁷¹ These courts share certain factors including the similarity of the marks; the similarity of the products on which the marks are used; the commercial context including trade channels, advertising media, and sales techniques; intent; and existence of actual confusion.⁷²

While the right to a mark and the likelihood of confusion are dispositive of the mark owner's *prima facie* case of infringement, they are not dispositive of a fair use claim. The proposed balancing in the fair use defense considers three additional factors: (a) the harm to the mark owner's goodwill, discussed above, (b) the information transmission benefit to consumers from descriptive uses of terms reserved by others as marks, and (c) the effect on competition of

(H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

While the classic fair use test we propose does not require that the mark be famous, the degree of notoriety of the mark affects the potential for harm to goodwill. Accordingly, these same factors will be relevant to determine the potential for harm to goodwill. Note that they overlap a great deal with parts of the likelihood of confusion test.

70. See *supra* note 11 and accompanying text.

71. See, *In re E.I. DuPont De Nemours & Co.*, 476 F.2d 1357, 1357 (C.C.P.A. 1973); *Volkswagenwerk Aktiengesellschaft v. Wheeler*, 814 F.2d 812, 817 (1st Cir. 1987); *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961); *Interpace Corp. v. Lapp, Inc.*, 721 F.2d 460, 462-63 (3d Cir. 1983); *Shakespeare Co. v. Silstar Corp. of Am., Inc.*, 110 F.3d 234, 241-42 (4th Cir. 1997); *Elvis Presley Enters. v. Capece*, 141 F.3d 188, 194 (5th Cir. 1998); *Frisch's Rests., Inc. v. Elby's Big Boy of Steubenville, Inc.*, 670 F.2d 642, 648 (6th Cir. 1982); *Ty, Inc. v. Jones Group, Inc.*, 237 F.3d 891, 897-98 (7th Cir. 2000); *Co-Rect Prods., Inc. v. Marvy! Adver. Photography, Inc.*, 780 F.2d 1324, 1330 (8th Cir. 1985); *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979); *King of the Mountain Sports, Inc. v. Chrysler Corp.*, 185 F.3d 1084, 1089-90 (10th Cir. 1999); and *Frehling Enters., Inc. v. Inte's Select Group, Inc.*, 192 F.3d 1330, 1335 (11th Cir. 1999).

72. See *supra* note 71 and *infra* note 80.

permitting sellers to describe their goods and compete more effectively.

In addition to its independent role as a policy objective, the likelihood of consumer confusion plays several supporting roles. Consumers' impressions are relevant not only to how much they are harmed by confusion, but also to the issues of how much harm a mark owner's goodwill is likely to suffer and whether an alleged infringer's use of an owner's mark is only to describe its own goods. Consumers are more likely to be confused by the alleged infringer's use of the term as a source-indicator for its goods than its use of the term to describe those goods. Accordingly, likelihood of confusion plays at least three roles in fair use analysis: first, the independent role of measuring the likely harm to consumers; second, as one factor in measuring the harm suffered by the mark owner; and third, as the next section demonstrates, as one factor in determining whether a term is used as a mark, or only to describe the alleged infringer's goods.

3. Fair Use and "Use as a Mark"

In the classic fair use context, the harm to the owner's goodwill and to consumers confused about source as well as the benefit to competition from access to descriptive terms depends on whether a term is used as a mark or used only to describe. Under the Lanham Act, a trademark is a word, symbol, or device, or combination thereof used by a person "to identify and distinguish his or her goods . . . from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown."⁷³ To function as a mark, those terms must indicate that the goods in connection with which the term is used came from a particular source. Characterizing the use of the term depends on the commercial impression created by the alleged infringer's use.⁷⁴

73. 15 U.S.C. § 1127 (2000).

74. The Supreme Court's venerable opinion in *Estate of P.D. Beckwith, Inc., v. Commissioner of Patents*, 252 U.S. 538, 545–46 (1920), focused on the commercial impression created by a descriptive mark in determining registrability. Federal circuit courts have relied on that test and required that "a designation must create 'a separate and distinct commercial impression, which . . . performs the trademark function of identifying the source of the merchandise to the customers.'" *Rock and Roll Hall of Fame and Museum, Inc. v. Gentile Prods.*, 134 F.3d 749, 753 (6th Cir. 1998) (quoting *In re Chem. Dynamics, Inc.*, 839 F.2d 1569, 1571 (Fed. Cir. 1988)). Words, symbols, and devices may alternatively function in ways having nothing to do with the source of either the mark owner or the alleged infringer's product, for instance, as ornamentation, see, e.g., *In re Dassler*, 134 U.S.P.Q. 265 (T.T.A.B. 1962) (framing issue as whether three stripe design on Adidas sports shoes were merely ornamentation or source-indicating); *Rock & Roll Hall of Fame*, 134 F.3d at 755 (stating that the design of the

Classifying a term as fitting in the “descriptive” level of the hierarchy of trademark strength is relevant but not necessary to a finding that the mark is used “only to describe.” Focusing on whether the term would be classified as “descriptive” in its context rather than in the abstract,⁷⁵ courts consider evidence of whether the term “forthwith conveys an immediate idea of the ingredients, qualities or characteristics of the goods,”⁷⁶ recognizing that a term can be descriptive in two ways: by literally describing a product or by describing the purpose or utility of a product.⁷⁷ While these phrases and this logic are all useful for classifying the strength of an owner’s mark, they are only part of the critical question of whether consumers view the term, in its context, as descriptive or source-indicating. First, the classifications of trademark strength for purposes of establishing distinctiveness and protectibility are not dispositive in the fair use context.⁷⁸ A word mark that is arbitrary, fanciful, or suggestive in the context of the mark owner’s use may be used by others descriptively.⁷⁹ The mark APPLE arbitrarily indicates a source of computers but descriptively indicates a flavor of candy or brandy. Second, the Lanham Act § 33(b)(4) demands consideration of

Museum building might serve both ornamental and source-identifying purposes but the Museum had not used pictures of the design with enough consistency to create a consistent and distinct commercial impression); as instructions, *see, e.g.*, *Cosmetically Sealed Indus., Inc. v. Cheesebrough-Pond’s USA Co.*, 125 F.3d 28, 29–30 (2d Cir. 1997) (holding that printing “Seal it with a Kiss” did not infringe the plaintiff’s trademark “Sealed with a Kiss” because the words conveyed instruction and were descriptive of an action the defendant wanted its customers to take); or descriptive, *see, e.g.*, *Car-Freshner Corp. v. S.C. Johnson & Son, Inc.*, 70 F.3d 267, 270 (2d Cir. 1995) (holding that the defendant’s use of the plaintiff’s trademark pine tree shape was clearly descriptive of two aspects of its room deodorizers, its pine scent and the Christmas season during which the defendant sold the item). How a term “functions,” depends on the commercial impression it conveys to consumers and squarely presents a critical issue presented by the fair use defense: Is the alleged infringer’s use “as a mark” or “only to describe?”

75. *Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc.*, 973 F.2d 1033, 1041 (2d Cir. 1992). *See also*, *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 12 (2d Cir. 1976); *Venetianaire Corp. of Am. v. A&P Import Co.*, 429 F.2d 1079, 1081 (2d Cir. 1970).

76. *Abercrombie & Fitch Co.*, 537 F.2d at 11 (quoting *General Shoe Corp. v. Rosen*, 111 F.2d 95, 98 (4th Cir. 1940)).

77. *20th Century Wear v. Sanmark-Stardust*, 747 F.2d 81, 88 (2d Cir. 1984), *cert denied*, 470 U.S. 1052 (1985).

78. *Car-Freshner Corp. v. S.C. Johnson & Son, Inc.*, 70 F.3d 267, 269 (2d Cir. 1995) (“It is true that the doctrine can apply only to marks consisting of terms or images with descriptive qualities. That is because only such terms or images are capable of being used by others in their primary descriptive sense. But it should make no difference whether the plaintiff’s mark is to be classed on the descriptive tier of the trademark ladder (where protection is unavailable except on a showing of secondary meaning). What matters is whether the *defendant* is using the protected work or image descriptively, and not as a mark.”).

79. *Id.*

consumer's impression of net effect of the alleged infringers' use. It requires findings both that the use is not to indicate the source of the alleged infringer's goods and that the use is to describe. The requirement of "fair use" calls for a judgment of whether any mixed messages received by consumers are justified by the objectives of the law.

The alleged infringer's use of the term "as a mark" to indicate the source of its own goods is the most obvious way in which a mark owner's goodwill and consumer confusion is threatened. Consumer confusion and the strength of the mark are relevant to whether a term is "used as a mark" or "used to describe" because the commercial impression created by the use both determines whether there will be confusion and helps classify the use as source-indicating or descriptive.⁸⁰ The strength, or distinctiveness, of a mark is relevant to how a term is used for the same reason it is relevant to confusion. A consumer viewing an inherently distinctive mark that in no way describes the goods in connection with which it is used is likely to assume, because of its arbitrariness, that it is used as a mark. When it appears on different goods, a consumer already familiar with the mark is likely to assume that it is again being used as a source indicator. "The more unusual, arbitrary, and fanciful a trade name, the more unlikely it is that two independent entities would have chosen it."⁸¹ Consumers viewing terms with acquired distinctiveness as source-indicators are, by definition, accustomed to viewing the term as a

80. The first element of the Federal Circuit test is "the similarity or dissimilarity of the marks in their entireties as to appearance, sound, connotation and *commercial impression*." Application of E.I. DuPont DeNemours & Co., 476 F.2d 1357, 1361 (C.C.P.A. 1973) (emphasis added). This factor may even, in the proper case be dispositive of the issue of confusion. See, e.g., Kellogg Co. v. Pack'em Enters., Inc., 951 F.2d 330, 332-33 (Fed. Cir. 1991) (upholding a TTAB judgment that "the substantial and undisputed differences in 'appearance, sound, connotation and commercial impression' between the marks in this case warranted the grant of summary judgment that there was 'no likelihood that [the mark's] contemporaneous use by different parties will result in confusion.'").

81. See *Virgin Enters. Ltd. v. Nawab*, 335 F.3d 141, 148 (2d Cir. 2003). The court offers the following example of the commercial impression created by a fanciful mark:

For example, if consumers become familiar with a toothpaste sold under an unusual, arbitrary brand name, such as ZzaagQ, and later see that same inherently distinctive brand name appearing on a different product, they are likely to assume, notwithstanding the product difference, that the second product comes from the same producer as the first. . . . In contrast, every seller of foods has an interest in calling its product "delicious." Consumers who see the word delicious used on two or more food products are less likely to draw the inference that they must all come from the same producer.

mark. But a mark with acquired distinctiveness could also be used descriptively, thus creating the potential for a mixed message.⁸²

The commercial impression resulting from the alleged infringer's use of a term also depends on another of the factors relevant to the likelihood of confusion, methods of marketing. Taking into account variations in language, all federal circuit tests for confusion consider factors relevant to determining what commercial impression the use makes: the conditions under which sales are made, the classes and sophistication of prospective purchasers, and the similarity of trade channels and advertising methods.⁸³ Courts are familiar with evaluating this evidence in the confusion context, though applying it to a fair use defense is a different task.

Often, marks are "attention getting" devices,⁸⁴ so evidence of fonts and styles of presentation will be relevant to determining whether a term is used as a mark. Courts must, however, distinguish between marks and ornamental devices.⁸⁵ Although the attention-getting feature of a mark is key, the ultimate question is whether, once the mark is noticed, consumers interpret it as an indicator of source.⁸⁶

82. See, e.g., *Car Freshner Corp.*, 70 F.3d at 269 (focusing on whether the term was used "to describe" and stating that descriptiveness depends on the relationship between the mark and the product described in the context of the alleged infringer's use).

83. A collection of leading federal circuit opinions outlining factors relevant to assessing the likelihood of confusion appears in note 71, *supra*.

84. See 1 J. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 11:17 at 476 (2d ed. 1984) ("A trademark, or service mark, is an 'attention getting symbol' used basically, and primarily, to make clear to the customer the origin of the goods or the service."). Where the allegedly descriptive use does not graphically resemble a mark, courts are more likely to find that the mark is used fairly. See, e.g., *Schafer Co. v. Inco Mgmt. Corp.*, 797 F. Supp. 477 (E.D.N.C. 1992), *aff'd* 995 F.2d 1064 (4th Cir.1993), where the District Court held that a motel's use of the trademarked phrase "SOUTH OF THE BORDER" was fair because it was in solid white lettering rather than the form or the owner's logo, and *Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350 (9th Cir. 1969), where the Ninth Circuit held that a repair business's use of the trademarked word "VOLKSWAGEN" was fair because it did not use the owner's distinctive lettering. Compare *World Impressions, Inc. v. McDonald's Corp.*, 235 F. Supp. 2d 831, 843 (D. Ill. 2002), where the District Court found that the map maker's use of the word "Disneyland" was as a mark because although it was not larger than other place names on the map, the map maker had used the stylized form of the word "Disneyland" along with the owner's distinctive castle design.

85. See *Boston Prof'l Hockey Ass'n, Inc. v. Dallas Cap and Emblem Mfg., Inc.*, 510 F.2d 1004, 1010 (5th Cir. 1975), where the court reversed the District Court's holding that the use of sports teams emblems on clothing was merely ornamental and not source-indicating because the emblems were so associated with the mark owner that consumers would conclude that there was an association between the owner and the clothing supplier.

86. See, e.g., *Dow Brands, L.P. v. Helene Curtis, Inc.*, 863 F. Supp 963 (D. Minn. 1994) (considering the relative prominence of the mark "STYLE FREEZE" on the alleged infringer's packaging) and *Chun King Corp. v. Genii Plant Line, Inc.*, 403 F.2d 274, 276 (C.C.P.A. 1968) (considering the mark LIVING EARTH).

In *WCVB-TV v. Boston Athletic Ass'n*,⁸⁷ the court found that a use was ornamental despite being attention-grabbing. While the large size of the trademarked "BOSTON MARATHON" suggested use as a mark, the timing, meaning, intent, and surrounding circumstances indicated that the term was only used to describe the defendant's broadcast. A use may be descriptive but still have characteristics of a mark just because it is graphically appealing. This issue arises in the *K.P. Permanent* case now before the Supreme Court.⁸⁸ The balancing test we propose requires that courts look beyond whether a term is classified as "descriptive" and focus on the commercial impression its use creates. The real questions are "Is the use descriptive or source-indicating?" and "If it is a little of both, what is the net effect of permitting its use?"⁸⁹

A balancing process implies that there is some tolerable level of confusion resulting from the "mark-like" character of some descriptive use or from consumers' inability to perceive the distinction between use "as a mark" and "to describe." The descriptive use is justified, despite some confusion, if the benefits to competition and to consumers through increased information outweigh the harm to goodwill and to consumers through confusion. With one exception,⁹⁰ fair use cases tend to ignore commercial impression, which focuses on the larger picture, *viz.*, the extent of trademark use and descriptive use.⁹¹ What remains is the question of how much weight to give the descriptive interest.

87. 926 F.2d 42, 46 (1st Cir. 1991).

88. Whether "micro colors" is used as a mark is discussed *infra* Part IV.D.

89. RESTATEMENT (THIRD), *supra* note 1, § 28 cmt. a (recognizes that "in some cases it may be difficult to distinguish use as an element of a trademark from a nontrademark use").

90. See *Rock & Roll Hall of Fame and Museum, Inc. v. Gentile Prod.*, 134 F.3d 749, 753 (6th Cir. 1998) (stating that "in order to be protected as a valid trademark, a designation must create 'a separate and distinct commercial impression, which . . . performs the trademark function of identifying the source of the merchandise to the customers.'" (quoting *In re Chemical Dynamics, Inc.*, 839 F.2d 1569, 1571 (Fed. Cir. 1988))). The court also stated that "it is clear that a plaintiff must show that it has actually used the designation at issue as a trademark, and that the defendant has also used the same or a similar designation as a trademark." *Id.* (citing *Holiday Inns, Inc. v. 800 Reservation, Inc.*, 86 F.3d 619, 622-23 (6th Cir.1996), *cert. denied*, 519 U.S. 1093 (1997); *Homeowners Group, Inc. v. Home Marketing Specialists, Inc.*, 931 F.2d 1100, 1105 (6th Cir.1991)).

91. This is particularly surprising given the wide range of trademark contexts in which commercial impression is key to determining whether the use of a term has the characteristic of a mark. Commercial impression is relevant to whether trade dress is used as a mark, *see, e.g., In re Pacer Technology*, 338 F.3d 1348, 1351 (Fed. Cir. 2003) ("In considering whether a design is inherently distinctive, we consider factors such as . . . whether it was capable of creating commercial impression distinct from the accompanying words."); whether a combination of descriptive and other unregistrable components of a term together create a distinctive enough

4. Fair Use and Benefits from Use of Descriptive Terms

An all-or-nothing rule requiring an absence of confusion fails to consider competing policy objectives. It always places the harm to goodwill through diminishment of distinctiveness, to consumers through confusion, and to the competitive process through diminished ability to distinguish one's goods above the recognized benefits of access to descriptive terms. How much weight should the law give to consumer and competitive benefits derived from descriptive uses?

The policy question before the Supreme Court is how much weight descriptive fair use should get, if any, when some confusion is likely. If there is no confusion, the alleged infringer does not need the fair use defense. In light of the weight the Supreme Court attaches to access to functional product characteristics, we argue that access to descriptive terms ought to be allowed even where there is some confusion. Unlike functional designs, however, to which access is unrestricted by trademark law, access to descriptive terms ought to be limited.

impact to qualify as a mark, *see, e.g.*, *Courtenay Communications Corp. v. Hall*, 334 F.3d 210, 216 (2d Cir. 2003) (“[W]hile an entire mark cannot be disclaimed and also registered, nevertheless, where the unregistrable components of a mark are combined in a design or display which is so distinctive as to create a commercial impression separate and apart from the unregistrable components, it is possible to disclaim those unregistrable components and still have a mark which is registrable as a whole.”) (citations omitted); whether using a only variation of a registered mark for a long period of time constitutes abandonment of the mark, *see, e.g.*, *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 955 (7th Cir. 1992) (“[M]inor changes in a mark which do not change the basic, overall commercial impression created on buyers will not constitute any abandonment.” (quoting 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION §17:10, at 787 (2d ed. 1984))); MCCARTHY, *supra* note 1, at § 17:26 (4th ed. 1996) (stating that abandonment can be avoided if the owner was using a variation on the mark where “the continuing common element of the mark retains its impact and symbolizes a continuing commercial impression”); whether amendments to a registered trademark constitute impermissible material alterations, *see, e.g.*, *In re Thrifty, Inc.*, 274 F.3d 1349 (Fed. Cir. 2001) (upholding TTAB finding that proposed amendment would materially alter commercial impression of the mark); whether slogans are registrable apart from their accompanying marks, *see, e.g.*, *Hugo Boss Fashions, Inc. v. Fed. Ins. Co.*, 252 F.3d 608, 619 (2d Cir. 2001) (“[O]ne federal court has explicitly acknowledged that ‘a slogan can only function as a separate trademark if it creates a separate impress from the house mark.’” (quoting *Genovese Drug Stores, Inc. v. TGC Stores Inc.*, 939 F. Supp. 340, 346 (D.N.J. 1996))); *see also In re Nat’l Training Ctr. Of Lie Detection*, 226 U.S.P.Q. 798, 799 (T.T.A.B. 1985) (inquiring whether “the slogan create[s] a commercial impression separate and apart from the other material on the [product]”); and whether “tacking” of a new component onto an old mark in order to exploit the priority status of the old mark is permitted, *see, e.g.*, *Van Dyne-Crotty, Inc. v. Wear Guard Corp.*, 926 F.2d 1156, 1158–60 (Fed. Cir. 1991); *Id* at 1160 (stating that for the purpose of tacking two marks must create the same, continuing commercial impression and that “it would be clearly contrary to well-establish principles of trademark law to sanction the tacking of a mark with a narrow commercial impression onto one with a broader commercial impression”).

Descriptive terms have much in common with functional product designs.⁹² The same words and phrases can be arbitrary in one context ("Black and White" for scotch whiskey) and descriptive in another ("Black and White" for floor tile).⁹³ The same is true for product designs; twin springs may be an arbitrary design feature on a child's toy, but essential to keeping a traffic sign upright in the wind.⁹⁴ Neither a term nor a product design is registerable in its descriptive or functional context,⁹⁵ while both are registerable, with secondary meaning,⁹⁶ in their arbitrary setting. Words, phrases, and functional designs not in the public domain each have their own discrete intellectual property protection in trademark and patent law defining when there should be monopoly rights to exclude, but neither area of law deems either merely descriptive terms nor unpatentable functional product designs worthy of protection. Courts use similar language to describe the special status of descriptive terms⁹⁷ and functional matter,⁹⁸ emphasizing the competitive necessity of keeping language and unpatentable ideas, respectively, in the public domain.⁹⁹

92. A product design is functional "if it is essential to the use or purpose of the article or if it affects the cost or quality of the article." *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 850, n.10 (1982).

93. *Fleischman Distilling Corp. v. Maier Brewing Co.*, 314 F.2d 149, 154 (9th Cir. 1963) (describing the strength of the "Black and White" mark for scotch).

94. *Traffix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23 (2001) (considering the functionality of dual spring design).

95. 15 U.S.C. §§ 1052(e)(1), (4) (2000).

96. § 1052(f) (2000) (descriptive marks registerable with secondary meaning); *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 214 (2000).

97. See, e.g., *TCPIP Holding Co., Inc. v. Haar Communications, Inc.*, 244 F.3d 88, 100 (2d Cir. 2001) ("[G]ranteeing one merchant a monopoly over the use of descriptive marks tends unfairly to prevent competing merchants from employing appropriate descriptive terms in their marketing."); *W.E. Bassett Co. v. Revlon, Inc.*, 354 F.2d 868, 871 (2d Cir. 1966) ("[S]ince there are only so many words that can accurately describe a type of products, the law does not favor trademark monopolization of such descriptive terms.").

98. *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 164–65 (1995) ("If a product's functional features could be used as trademarks, however, a monopoly over such features could be obtained without regard to whether they qualify as patents and could be extended forever [because trademarks may be renewed in perpetuity].").

99. See, e.g., *Hoover Co. v. Royal Appliance Mfg. Co.*, 238 F.3d 1357, 1360 (Fed. Cir. 2001) ("Furthermore, descriptive terms are in the public domain and should be free for use by all who can truthfully employ them to describe their goods." (citing *Estate of P.D. Beckwith, Inc. v. Comm'r of Patents*, 252 U.S. 538, 543–44 (1920))); *Merchant & Evans, Inc. v. Roosevelt Bldg. Prods. Co.*, 963 F.2d 628, 633 (3d Cir. 1992) ("To allow indefinite trademark protection of product innovations would frustrate the purpose of the limited duration of patents to foster competition by allowing innovations to enter the public domain after seventeen years."); *Keene Corp. v. Paraflex Indus., Inc.*, 653 F.2d 822, 824 (3d Cir. 1981) ("The purpose of the rule precluding trademark significance for functional features is to prevent the grant of a perpetual monopoly to features which cannot be patented. . . . Products or features which have not

Public access to merely descriptive marks and functional product designs promotes competition by increasing the number of competitors in a market and increasing consumer satisfaction, by providing information about products in the first case and leading to advances in technology in the latter.¹⁰⁰

The Supreme Court has directly addressed the weight to be given to functionality when considering the protectibility of trade dress and product design. If functional, neither trade dress nor product design can serve as a trademark,¹⁰¹ regardless of secondary meaning.¹⁰² An option giving less weight to functionality would have been to recognize functional designs as source-indicating marks where they were not necessary for competition. This would have been consistent with the pro-competition objective described in the previous paragraph.

In *TrafFix Devices, Inc. v. Marketing Displays, Inc.*,¹⁰³ the Supreme Court declined to limit competitors' access to that which was necessary for competition. The "necessary for competition argument" arose from language in *Qualitex Co. v. Jacobson Products Co.*,¹⁰⁴ in which the Supreme Court stated that functionality involved a question of whether denying access to functional matter created "a significant non-reputation-related disadvantage" to competitors. Considering this language, the Supreme Court held in *TrafFix* that "[w]here the design is functional under the *Inwood* formulation there is no need to proceed further to consider if there is a competitive necessity for the feature."¹⁰⁵

If the analogy between functional designs and descriptive terms were perfect, neither functional designs nor descriptive terms would be registerable. If a design is functional, it does not matter whether the manufacturer can establish that confusion as to source will result

qualified for patent protection but which are function are in the public domain, and are fair game for imitation and copying.").

100. See *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 160–61 (1989) (discussing the advantages to consumers of keeping unpatentable inventions in the public domain).

101. See *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 32 (2001) (considering impact of functionality of trade dress); *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 214 (2000) (considering functionality of product design). See also, 15 U.S.C. § 43(a)(3) (2000) (requiring a person bringing a civil action infringement of unregistered trade design to prove that the matter sought to be protected is not functional).

102. 15 U.S.C. § 2(e),(f) (2000).

103. 532 U.S. at 23 (2001).

104. 514 U.S. 159, 165 (1995).

105. *TrafFix Devices*, 532 U.S. at 33.

from others' use. Even if the manufacturer can prove secondary meaning, it cannot protect functional design in an infringement action. A parallel approach to descriptive terms would permit descriptive use of any term without any regard for the potential for confusion.

The analogy between descriptive terms and functional designs is, however, not perfect. First, Supreme Court precedent subordinates trademark law to patent law for the protection of functional designs. One purpose of the intricate rules of patent law is to determine which designs should be denied a twenty-year monopoly and remain in the public domain.¹⁰⁶ Granting federal trademark protection and ignoring those patent rules would give extraordinary perpetual protection to the first to use the design in commerce. Supreme Court opinions in *Sears, Roebuck & Co. v. Stiffel Co.*¹⁰⁷ and *Compco Corp. v. Day-Brite Lighting, Inc.*¹⁰⁸ forbid states from giving similar unfair competition protection to ideas in the public domain. The protection of public access to descriptive terms, by contrast, is not subject to a body of law outside of trademark to which trademark law must defer. Second, public access to functional design is not conditioned by a fairness test as appears in the classic fair use context; functional marks simply do not qualify as trademarks.¹⁰⁹ A balancing test for classic fair use recognizes the similar goals underlying public access to functional designs and descriptive terms as well as the differences created both by statute (requiring "fair" descriptive use) and policy (lack of conflict with another area of law).

Given these goals, one sensible approach to considering the fairness of descriptive use would be to consider evidence related to the competitive justification for and consumer benefit from the alleged infringer's descriptive use of the owner's mark. This is analogous to the requirement rejected by the Supreme Court in the functionality context, but justified by the differences. An alleged infringer could offer evidence that without the right to use the term, it would be at a significant non-reputation-related disadvantage. The interest in use of descriptive terms also assists consumers in selecting among competing alternatives. Evidence of benefit to consumers

106. *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262 (1979) (describing the purposes of the patent law, the Court stated that "[T]he stringent requirements for patent protection seek to assure that ideas in the public domain remain there for the free use of the public.").

107. 376 U.S. 225 (1964).

108. 376 U.S. 234 (1964).

109. See *supra* notes 101–04 and accompanying text.

from having the particular descriptive term available would be relevant.

Many other parts of our proposed balancing test have found their way into the "good faith" inquiry of fair use cases¹¹⁰ and discussion of commercial justification has appeared as part of that element as well.¹¹¹ A competitor's use of the descriptive term "leather" to describe its fragrance was justified because there was "no other merchandisable descriptive term" available, despite the plaintiff's registration of the "English Leather Cologne" mark.¹¹² A competitor's use of "ruffled" to describe its ridged potato chips in the face of Frito-Lays registered "Ruffles" mark, however, gave rise to questions about its good faith because, as other competitors demonstrated, other terms, such as "ridged," "rippled," and "dipstyle," were available.¹¹³ An all-or-nothing test requiring an absence of confusion injures competition and consumers to the extent it interferes with competitors' or would-be competitors' opportunities to describe their goods. The greater the commercial justification for descriptive use, the greater is the tolerable likelihood of confusion, especially because the mark owner can minimize this risk by selecting a more arbitrary or fanciful term.¹¹⁴

B. Fair Use and Good Faith

The descriptive term "fair" in "fair use" supports a test that considers opposing interests and mediates between them. The statutory requirement that the descriptive term be used "fairly and in

110. See *infra* Part IV.D.

111. RESTATEMENT (THIRD), *supra* note 1, at § 28 Reporter's Note cmt. d, concludes that "Use of an exact copy of a descriptive trademark without commercial justification can indicate an intent to trade on the good will of the prior user." The Restatement states that "[t]he existence of adequate alternatives to the trademarked term is often cited as a factor supporting rejection of a fair use defense and the lack of alternatives is a fact in favor of the defense." *Id.*

112. *Mem Co. v. Yardley of London, Inc.*, 212 U.S.P.Q. 280, 284 (S.D.N.Y. 1981). See also *White Swan Ltd. v. Nature Co.*, 26 U.S.P.Q.2d 1290, 1292 (D. Or. 1993) (holding that using the phrase hummingbird seed mix to describe its mix of flower seeds was fair and in good faith despite plaintiff's registered mark Hummingbird Garden for the same product because these were the "only words reasonably available to describe its product").

113. *Frito-Lay, Inc. v. Bachman Co.*, 704 F. Supp. 432, 436-37 (S.D.N.Y. 1989). See also *Salton Inc. v. Cornwall Corp.*, 477 F. Supp. 975, 988-89 (D.N.J. 1979) (stating that the defendant's use of the plaintiff's "Hot Tray" mark was neither fair nor in good faith because competitors use many other names for such appliances).

114. The Second Circuit's opinions reflect this reasoning by stating that the owner of a descriptive mark has assumed the risk of confusion by selecting a descriptive mark. See, e.g., *Cosmetically Sealed Indus., Inc. v. Chesebrough-Pond's USA Co.*, 125 F.3d 28, 30 (1997); *Car-Freshner Corp. v. S.C. Johnson & Son, Inc.*, 70 F.3d 267, 270 (2d Cir. 1995).

good faith”¹¹⁵ calls for a balancing.¹¹⁶ Courts have not recognized the balancing among interests described in the previous sections of this article. In their analysis of “good faith,” however, weighing of the evidence as described above occurs.¹¹⁷ When examining the types of evidence courts discuss under the rubric of “good faith,” recognition of competing interests is apparent.

If there is a component of good faith analysis distinct from the balancing of competing values discussed above, it is the care the alleged infringer took to avoid interfering with the owner’s mark and preventing consumer confusion.¹¹⁸ Occasionally, courts consider

115. 15 U.S.C. §33(b)(4) (2000).

116. Although the Lanham Act requires that the term be “used fairly and in good faith”, *id.*, courts and commentators often combine discussion of fairness and good faith in all of the fair use contexts as if it were a single element. *See, e.g.*, *EMI Catalogue P’ship v. Hill, Holliday, Connors, Cosmopolos, Inc.*, 228 F.3d 56, 64 (2d Cir. 2000) (stating, in trademark infringement context, to prevail on a classic fair use defense, the defendant must prove it used the term “(1) other than as a mark, (2) in a descriptive sense, and (3) in good faith”); *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1151 (9th Cir. 2002) (stating, in false endorsement context, that the elements of a classic fair use defense are: “1. Defendant’s use of the term is not as a trademark or service mark; 2. Defendant uses the term ‘fairly and in good faith’; and 3. [Defendant] uses the term ‘[o]nly to describe’ its goods or service.”) (citations omitted); *Packman v. Chicago Tribune Co.*, 267 F.3d 628, 639 (7th Cir. 2001) (stating, in First Amendment fair use context, “To prevail on the fair use defense, defendants must show that: (1) they used [the plaintiff’s mark] in a non-trademark use; (2) the phrase is descriptive of their goods or services; and (3) they used the phrase ‘fairly and in good faith’ only to describe their goods or services.”).

117. This combined element, “used fairly” and “good faith,” is often simply referred to as “good faith” when courts present their analysis. *See, e.g.*, *Car-Freshner Corp. v. S.C. Johnson & Son, Inc.*, 70 F.3d 267, 269–70 (2d Cir. 1995) (stating “In short, fair use permits others to use a protected mark to describe aspects of their own goods, provided the use is in good faith and not as a mark,” and “It is a fundamental principle marking an outer boundary of the trademark monopoly that, although trademark rights may be acquired in a word or image with descriptive qualities, the acquisition of such rights will not prevent others from using the word or image in good faith in its descriptive sense, and not as a trademark.”); *Packman v. Chicago Tribune Co.*, 267 F.3d 628, 637 (7th Cir. 2001) (stating, in First Amendment context, that the relevant questions of fact are: “the classification of a word or phrase as descriptive, the determination that a defendant’s use was a non-trademark use in good faith, and the finding that consumers are not likely to be confused about the origin of the defendant’s products.”). Confusion is relevant to this issue, as this section demonstrates in greater detail. *See, e.g.*, *EMI Catalogue P’ship v. Hill, Holliday, Connors, Cosmopolos, Inc.*, 228 F.3d 56, 66–67 (2d Cir. 2000) (stating, in trademark context, “the good faith inquiry in a fair use analysis necessarily concerns the question whether the user of a mark intended to create consumer confusion as to source or sponsorship”).

118. “Courts and commentators . . . equate a lack of good faith with the subsequent user’s intent to trade on the good will of the trademark holder by creating confusion as to source or sponsorship.” *EMI Catalogue Partnership*, 228 F.3d 56 (2d Cir. 2000) (reversing summary judgment finding that questions of material fact existed regarding whether the defendant acted in good faith. The alleged infringer had used the phrase “Swing, Swing, Swing,” descriptive of what one does with its golf clubs, but the phrase’s close connection to the plaintiff’s song of the

whether the alleged infringer conducted a trademark search, investigated others' uses, sought legal counsel, or took similar precautions to avoid confusion.¹¹⁹ The failure to use care may be relevant only to the alleged infringer's entitlement to the descriptive use of a mark based on § 33(b)(4)'s explicit requirements and not to the policy balancing, but such evidence is considered weak evidence of bad faith.¹²⁰ On the other hand, such evidence may be interpreted as showing that the alleged infringer subjectively believed its use of the term was only to describe, and was not used as a mark, which would be relevant to the balancing.

Given the balancing implicit in the good faith inquiry, it is no surprise that the evidence used to evaluate good faith is relevant to balancing competing policy objectives. The good faith inquiry is closely tied to whether the alleged infringer's use is likely to cause confusion. Good faith is an element in every circuit's test for the likelihood of confusion.¹²¹ Evidence of the alleged infringers' extent of use, subjective intent, and actual confusion are all recognized as relevant to good faith.¹²² Use of the same or similar marks after failing to reach an agreement on royalties, for instance, is some evidence of bad faith, though not dispositive.¹²³ All of this evidence would, of course, be relevant to the primary issue of likelihood of confusion.

Conclusions about the alleged infringer's good faith are also drawn from evidence relevant to the distinctiveness of the owner's mark, evidence related to whether the term was used as a mark or to describe, and evidence of the competitive utility of the mark as a descriptive term. For instance, lack of widespread use of another's mark on promotional or advertising materials has been held to show good faith, especially when the defendant's trademark is prominently

same title, which the defendant had unsuccessfully negotiated to use in its ad, made the phrase seem more like an indication of source and likelihood of confusion greater.).

119. See, e.g., *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 962-63 (7th Cir. 1992) (finding weak evidence of bad faith based on these factors given defendant's reasoned conclusion that confusion was unlikely).

120. *Id.*

121. See cases cited *supra* note 71.

122. See, e.g., *Cortland Line Co., Inc. v. Orvis Co., Inc.*, 203 F.3d 1351, 1361 (Fed. Cir. 2000).

123. See, e.g., *EMI Catalogue P'ship v. Hill, Holliday, Connors, and Cosmopolos, Inc.*, 228 F.3d 56 (2d Cir. 2000) (reversing summary judgment finding that questions of material fact existed regarding whether the defendant acted in good faith.)

displayed along with the other's mark.¹²⁴ This evidence is relevant to the issue of commercial impression by which the court decides whether the term was used as a mark or to describe. If the fair use test is viewed as a balancing of competing values as suggested above, there is little apparent role for a separate "good faith" element.

The availability of alternative descriptive terms may make a use less fair¹²⁵ and presentation of the descriptive term in the same typeface or appearance as the plaintiff's mark is evidence of bad faith. Accompanying the alleged infringer's use of the other's mark with the alleged infringer's own trademarks and corporate logos and packaging lessens actual confusion.¹²⁶ This same evidence supports a conclusion that the term is used descriptively.

The commercial impression of the term in its context is as important to whether the term is used in good faith as it is to whether the use is "as a mark" or "to describe." In *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, the defendant's use of the plaintiff's "THIRST-AID" mark was suspect because of the rhyming in the phrase "Gatorade is Thirst Aid" and the greater prominence given in advertisements to the plaintiff's mark than to the defendant's own "GATORADE" mark.¹²⁷ The court noted that, in the context of determining likelihood of confusion, the conjunction of defendant's trademark and the allegedly infringed term so links the term to the

124. See, e.g., *Cosmetically Sealed Indus., Inc. v. Cheesebrough-Pond's USA Co.*, 125 F.3d 28, 29 (2d Cir. 1997) (finding good faith where the defendant used the plaintiff's phrase "Sealed with a Kiss" on postcards customers were invited to kiss and mail, but not on its product or packaging or any other advertising or promotional material).

125. See, e.g., *Cortland Line Co., Inc. v. Orvis Co., Inc.*, 203 F.3d 1351, 1361–62 (Fed. Cir. 2000) (holding that factual issues precluded summary judgment on fair use defense, where, prior to the plaintiff's adoption of the term as a mark, competitors used other available terms to describe the relevant characteristic of their goods). See also RESTATEMENT (THIRD), *supra* note 1, at § 28 (1995) (stating in comment c that "the absence of alternative terms capable of adequately describing the pertinent characteristic is also relevant in assessing the commercial justification for the use and hence the scope of permissible fair use," and in comment d that "[u]se by the actor of the precise form of the descriptive term adopted by the trademark owner can be evidence of bad faith when equally useful alternative forms are available.") See also cases collected in *id.* Reporters' Note cmt. d.

126. See, e.g., *Car-Freshner Corp. v. S.C. Johnson & Son, Inc.*, 70 F.3d 267, 270 (2d Cir. 1995), which concluded that there was no indication that the defendant was using the plaintiff's tree-shape as a mark because its pine-tree-shaped air fresheners come in boxes prominently bearing the 'Glade Plug-Ins' trademark as well as Johnson's corporate logo and each unit had 'Glade' imprinted across the front of the product itself. Given these facts, the court held that there could be no finding of bad faith even if the defendant knew about the plaintiff's use of the tree-shape and did not consult counsel. *Id.*

127. *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 953–54 (7th Cir. 1992) (finding that the District Court did not err in finding that the term "Thirst-Aid" had been used by the defendant as a mark).

defendant's name that it "increase[s] the misappropriation" of the plaintiff's mark.¹²⁸ This misappropriation may be taken as evidence that Gatorade was using the plaintiff's designation as a mark, and attempting to have consumers associate the words with its product in bad faith.

Similarly, the Reporter's Note to the Restatement (Third) of Unfair Competition¹²⁹ describes copying the typestyle, packaging, or labeling of the mark owner as indicative of bad faith, while it is directly relevant to the issues of confusion and whether the device was used as a mark. The Reporter compares two cases to illustrate the different effect of presentation of the device on the finding of good faith. Close reading indicates, however, that, in both cases, the evidence was relevant to whether the device was used as a mark.¹³⁰

While courts consider some evidence relevant mostly to whether the alleged infringer is personally worthy of using another's mark descriptively, most of the evidence considered to be relevant to "good faith" is also relevant to the policy-oriented balancing. This suggests that the role of the good faith inquiry is to accomplish indirectly what a balancing test accomplishes directly.

C. Intellectual Property Law and Policy

Other fair use defenses in intellectual property law rely on balancing tests, either implicitly or explicitly. Among trademark defenses, nominative, comparative, restored goods, and artistic fair use defenses all consider factors that weigh against the consumer protection objective. The statutory copyright fair use defense

128. *Id.* at 954 (citations omitted).

129. RESTATEMENT (THIRD), *supra* note 1, at § 28 Reporter's Note cmt. d.

130. In *Venetianaire Corp. v. A & P Import Co.*, 429 F.2d 1079, 1082 (2d Cir. 1970), the relevant language states "[f]rom the mimicking of plaintiff's typestyle and prominent display of the registered word 'Hygienic' on its own 'Hygienic' package, it is plain that A & P Import did not use the word 'otherwise than as a trade * * * mark * * * only to describe its goods'; on the contrary, a 'trademark use' was both effected and intended." But in *Andy Warhol Enterprises, Inc. v. Time Inc.*, 600 F. Supp. 760, 767 (S.D.N.Y. 1988), the court states,

First, there is no evidence to suggest that defendant has ever used plaintiff's stylized INTERVIEW mark. Second, defendant uses "interview" to designate a section in a magazine, not as a trademark. The statute defines a trademark as a "word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify and distinguish his goods, including a unique product, from those manufactured and sold by others and to indicate the source of goods, even if that source is unknown." 15 U.S.C.A. § 1127 (Supp. 1988). Defendant does not use "interview" to identify or distinguish its goods from any others. In both cases, what is characterized as the good faith inquiry by commentators is part of another issue relevant to the policy balancing.

considers factors that weigh against the authors' Section 106 rights. This Part analogizes those tests to the classic fair use test.

1. Nominative Fair Use Analogy

Nominative and comparative uses of marks are types of indirect descriptive use that are suited for a balancing test. While the classic fair use case involves use of a term to describe directly the characteristics and qualities of a good or service ("leather,"¹³¹ "hummingbird seed"¹³²), nominative and comparative uses occur when another uses a mark to identify the mark owner's goods or services, often with the ultimate purpose of describing the goods of that other person. An auto repair shop might wish to describe its services using an unrelated manufacturer's mark ("Volkswagen" repair shop)¹³³ or a newspaper might wish to use the trademarked name of a popular musical group in order to convey the fact that a survey it was conducting concerned that group.¹³⁴ A competing perfume manufacturer might use the "Chanel No. 5" mark to describe the scent of its own perfume.¹³⁵ A restorer or reconditioner of golf balls¹³⁶ or spark plugs¹³⁷ may wish to identify the original manufacturer to describe qualities of its own product. Each such user "names" a mark owner's product or service to describe its own.

All of these descriptive fair uses are conceptually related by the conflict between confusion and competition. Nominative and comparative uses are suited for a balancing test, just as we have suggested for classic fair use. In its idiosyncratic nominative use test,¹³⁸ the Ninth Circuit requires proof that: (1) the mark owner's product cannot readily be identified without use of the trademark; (2)

131. *Mem Co. v. Yardley of London, Inc.*, 212 U.S.P.Q. 280 (S.D.N.Y. 1981).

132. *White Swan Ltd. v. Nature Co.*, 26 U.S.P.Q.2d 1290 (D. Or. 1993).

133. *Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350 (9th Cir. 1969).

134. *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302 (9th Cir. 1992).

135. *Smith v. Chanel, Inc.*, 402 F.2d 562 (9th Cir. 1968).

136. *Nitro Leisure Prods., L.L.C. v. Acushnet Co.*, 341 F.3d 1356 (Fed. Cir. 2003).

137. *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125 (1947).

138. This test for nominative fair use is cited by some circuits, *see, e.g.*, *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 547 (5th Cir. 1998) (stating that "the traditional likelihood-of-confusion analysis is applicable in a comparative-advertising situation, but the court should usually consider the nominative-use claim in conjunction with its likelihood-of-confusion analysis to avoid lowering the standard of confusion"), but not regularly followed outside the Ninth Circuit, *see, e.g.*, *PACCAR Inc. v. TeleScan Technologies, L.L.C.*, 319 F.3d 243, 256 (6th Cir. 2003) (choosing to rely on its customary test for likelihood of confusion); *Basic Fun, Inc. v. X-Concepts, LLC*, 157 F. Supp. 2d 449, 456 (D. Pa. 2001) ("The Third Circuit does not recognize 'nominative' fair use defense, which is utilized as a defense solely in the Ninth Circuit.")

only so much of the mark is used as is reasonably necessary to identify the user's product or service; and (3) there is no suggestion that the user's product or service was sponsored or endorsed by the mark owner.¹³⁹ The Ninth Circuit views this test as more appropriate in nominative use cases than its traditional *Sleekcraft* test¹⁴⁰ for likelihood of confusion.¹⁴¹ The third factor captures the confusion element and would depend on the commercial impression conveyed by the use. The first two factors, however, suggest that the competitive necessity of the use is a relevant consideration, as we argued above. Where courts rely on their traditional likelihood of confusion tests in cases where the defendant's use of the plaintiff's mark is to describe the relationship of its own product or service to the plaintiff's, the competitive necessity of the use is considered along with reasonable restrictions on the extent of use.¹⁴²

The restored goods cases are decided by a test derived from the Supreme Court's opinion in *Champion Spark Plug*,¹⁴³ focusing on whether the differences between the original and remanufactured goods are greater than consumers expect and whether the remanufacturer fully disclosed the condition of the used goods.¹⁴⁴ The underlying question in these cases remains the likelihood of confusion.¹⁴⁵

There is, however, the additional consideration that "so long as the customer is getting a product with the expected characteristics, and so long as the goodwill built up by the trademark owner is not

139. *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992). In *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1151 (9th Cir. 2002), the court stated that

The nominative fair use analysis is appropriate where a defendant has used the plaintiff's mark to describe the plaintiff's product, *even if the defendant's ultimate goal is to describe his own product*. Conversely, the classic fair use analysis is appropriate where a defendant has used the plaintiff's mark *only* to describe his own product, *and not at all to describe the plaintiff's product*.

140. *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979).

141. *Playboy Enters., Inc. v. Welles*, 279 F.3d 796, 801 (9th Cir. 2002).

142. *Compare Liquid Glass Enters., Inc. v. Dr. Ing, h.c.F. Porsche AG*, 8 F. Supp. 2d 398, 402 (D.N.J.1998) (finding it unnecessary for the Liquid Glass product to use Porsche's trademarks to advertise its benefits) *with Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350, 352 (9th Cir.1969) (holding that it was fair to use the name "Volkswagen" to describe a Volkswagen repair shop, but not to use the VW logo).

143. *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125 (1947).

144. *Id.* at 129 ("When the mark is used in a way that does not deceive the public we see no such sanctity in the [trademark] as to prevent its being used *to tell the truth*." (emphasis added) (citations omitted).

145. *Nitro Leisure Prods., L.L.C. v. Acushnet Co.*, 341 F.3d 1356, 1362 (Fed. Cir. 2003) (discussing the *Champion Spark Plug* test in the context of resale of new goods).

eroded by being identified with inferior quality, the Lanham Act does not prevent the truthful use of trademarks, even if such use results in the enrichment of others.”¹⁴⁶ This focus on quality of the restored goods emphasizes not only quality-signaling aspects of the owner’s goodwill in the mark, but also an interest in preventing fraud. The mark is available for public use as long as consumers’ quality expectations are not defeated. The benefit of descriptive use is realized as long as it is truthful: “Inferiority is immaterial so long as the article is clearly and distinctively sold as repaired or reconditioned rather than as new.”¹⁴⁷ As with the classic fair use test, the use of the other’s mark is limited. The labeling or advertising cannot, for instance, be formatted in a way that highlights the mark over the other graphic matter.¹⁴⁸

2. Artistic Fair Use Analogy

Courts also appear to be inconsistent and split on the question of whether a balancing of competing considerations occurs when another’s mark is used to parody or poke fun at that mark, or the associated product, or for other artistic purposes. Rather than balancing the benefits of public access to descriptive terms for competitive purposes, the countervailing consideration is the public interest in free expression. The Seventh Circuit has concluded that parody is not an affirmative defense but rather a factor relevant to the likelihood of confusion.¹⁴⁹ Some circuits take somewhat inconsistent positions and recognize a First Amendment interest in certain cases but not others.¹⁵⁰ The Second, Sixth, and perhaps surprisingly, the

146. *Id.*

147. *Champion Spark Plug*, 331 U.S. at 130.

148. *See Prestonettes, Inc. v. Coty*, 264 U.S. 359, 369–70 (1924) (“If the name Coty were allowed to be printed in different letters from the rest of the inscription dictated by the District Court a casual purchaser might look no further and might be deceived. But when it in no way stands out from the statements of facts that unquestionably the defendant has a right to communicate in some form, we see no reason why it should not be used collaterally, not to indicate the goods, but to say that the trade-marked product is a constituent in the article now offered as new and changed.”).

149. A parody is an artistic work that imitates the characteristic style of a product or mark for comic effect or for ridicule. *Nike, Inc. v. “Just Did It” Enters.*, 6 F.3d 1225, 1228 (7th Cir. 1993).

150. *Compare Lyons P’ship v. Giannoulas*, 179 F.3d 384, 389–90 (5th Cir. 1999) (saying that parody is not a defense but a factor relevant to confusion); and *Elvis Presley Enters., Inc. v. Capece*, 141 F.3d 188, 194 (5th Cir. 1998) (reasoning that a successful parody calls up an image of the origin and successfully distinguishes itself from the original thereby preventing confusion) *with Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 665 (5th Cir. 2000) (stating that the likelihood of confusion must be “particularly compelling” when First

Ninth Circuits explicitly impose a balancing test when likelihood of confusion confronts parody.¹⁵¹

There are two sorts of balancing tests. One, adopted by at least one case in the Eight Circuit, permits parodic use despite confusion if there is no alternative avenue of expression.¹⁵² This test is reminiscent of the competitive necessity approach¹⁵³ suggested as one factor of the balancing of descriptive use and likelihood of confusion.¹⁵⁴

The Second Circuit developed a balancing test for artistic fair use in the context of a title to an artistic work alleged to generate confusion. It mediates between the “no alternative avenue” test and a test that permits all “free expression” use of a mark.¹⁵⁵ The court in *Rogers v. Grimaldi* rejected the first test because it failed sufficiently to accommodate the public’s interest in free expression.¹⁵⁶ It also rejected the permissive approach denying any Lanham Act protection because it did not sufficiently protect the public against flagrant deception. The *Rogers* court concluded that the Lanham Act protection of trademarks “should be construed to apply to artistic

Amendment interest in free expression are involved). The Tenth Circuit has considered parody as a factor to be considered in the likelihood of confusion analysis without specifically stating that it was not a defense, *see Jordache Enters. Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1486 (10th Cir. 1987), *but see* *Cardtoons, L.C. v. Major League Baseball Players Ass’n*, 95 F.3d 959, 972 (10th Cir. 1996), where the court concluded that a right to publicity claim required a balancing, saying “[t]his case instead requires us to directly balance the magnitude of the speech restriction against governmental interest in protecting the intellectual property right”.

151. *See Rogers v. Grimaldi*, 875 F.2d 994, 999 (2d Cir. 1989) (creating a balancing test of public interest in avoiding customer confusion versus public interest in free expression); *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 900–02 (9th Cir. 2002) (adopting the *Rogers* test because, in the context of expressive speech, the traditional likelihood of confusion test “fails to account for the full weight of the public’s interest in free expression”). *Compare* *Anheuser-Busch v. Balducci Publ’ns*, 28 F.3d 769, 776 (8th Cir.1994) (approach to that in *Rogers*); *Mutual of Omaha Ins. Co. v. Novak*, 836 F.2d 397, 402 (8th Cir. 1987) (focusing on the alternative available means of achieving the artistic objectives).

152. *See Mutual of Omaha Ins. Co. v. Novak*, 836 F.2d 397, 402 (8th Cir. 1987) (creator of parody tee-shirts not protected by First Amendment because he could have produced parodic editorials in books, magazines, or film). *See also* *Am. Dairy Queen Corp. v. New Line Prods., Inc.*, 35 F. Supp. 2d 727, 734 (D. Minn. 1998) (denying First Amendment protection to infringing movie title because there were other titles the producers could have used).

153. *See Anheuser-Busch, Inc. v. Balducci Publ’ns*, 28 F.3d 769, 776 (8th Cir. 1994) (saying that First Amendment protection was not available to a parodist where the confusing trademark use was “wholly unnecessary” to the parodist’s purposes).

154. *See supra* Part IV.A.4.

155. In *Cliff Notes, Inc. v. Bantam Doubleday Dell Publ’g Group, Inc.*, 886 F.2d 490, 495 (2d Cir. 1989), the Second Circuit held that the *Rogers* test was generally applicable to all Lanham Act claims against works of artistic expression.

156. *Rogers*, 875 F.2d at 999.

works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression.”¹⁵⁷ If one were to substitute “the public interest in descriptive access to the mark,” for “the public interest in free expression,” the analogy between the parodic balancing test and the classic fair use balancing test would be complete. The Sixth and Ninth Circuits also follow this balancing approach for artistic use.¹⁵⁸

3. Copyright Fair Use Analogy

The fair use defense in copyright law permits some interference with the author’s rights just as the fair use defenses in trademark law permit some harm to the goodwill of a mark owner. The copyright balance reflects an accommodation of conflicting means for reaching a single policy objective. The constitutional objective of copyright law is promoting the useful arts.¹⁵⁹ This is normally achieved by awarding an author a monopoly over his or her work that prevents others from copying it without permission.¹⁶⁰ The useful arts may also be promoted, however, by criticism, comment, news reporting, teaching, scholarship, and research involving copyrighted material.¹⁶¹ But permitting critical analytical or informational uses of another’s work without compensation might interfere with an author’s rewards.

Just as confusion is a component of both the mark owner’s infringement case and the classic fair use defense, there is an overlap between a copyright owner’s infringement claim and the copyright fair use defense. A copyright owner’s infringement case requires proof that the owner has a valid copyright and the alleged infringer copied protectible elements of the author’s work.¹⁶² The second element requires not merely that a work has been copied, but also that there be a substantial similarity of copyrightable expression.¹⁶³ The factors relevant to establishing fair use in copyright are:

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational

157. *Id.*

158. *See id.*; *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 902 (9th Cir. 2002); *Parks v. LaFace Records*, 329 F.3d 437, 451–52 (6th Cir. 2003).

159. U.S. CONST. art. 1, § 8.

160. *Sony Corp. of Am. v. Universal City Studios*, 464 U.S. 417, 450 (1984) (explaining that “[t]he purpose of copyright is to create incentives for creative effort” by protecting the market value of an original work for a limited time).

161. *See* 17 U.S.C. § 107 (2000) (outlining the factors relevant to fair use).

162. *Feist Publ’ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991).

163. *Hoehling v. Universal City Studios, Inc.* 618 F.2d 972, 977 (2d Cir. 1980).

purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work.¹⁶⁴

The second and third elements of this defense overlap with the second element of the owner's copyright infringement case, just as balancing the confusion objective in the trademark defense overlaps with the second element of a mark owner's trademark infringement case. The first and fourth elements provide for the balancing necessary to satisfy public policy, just as the fair use requirement in trademark allows for a balancing of objectives in trademark.

Copyright law's objective of encouraging creative activity plays a role similar to that played by the objective of avoiding consumer confusion in trademark cases. The second copyright infringement element may require dissection of the work to determine what copied expression was protectible.¹⁶⁵ There must be a substantial similarity in the copyrightable expression between the original and copied works.¹⁶⁶ Only original works of authorship qualify for the incentives provided by copyright law.¹⁶⁷ Facts, ideas, and expressions that are the only effective way to express an idea are not protected by copyright law.¹⁶⁸ "Thin" copyrights, those with only a "slight quantum of originality,"¹⁶⁹ or with "scant creativity,"¹⁷⁰ get less protection than those with substantial copyrightable content. On the other hand, works embodying more particularized expression receive broader protection. The core of copyrightable expression is highly original and creative work. The Supreme Court has recognized that there are relative proportions of fact and fancy in creative works, and the extent to which expressive language is protected varies from case

164. 17 U.S.C. § 107 (2000). The fair use defense is not meant to be a bright line test, but rather nonexclusive factors considered on a case by case basis that allow courts to apply an "equitable rule of reason." *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 448 n.31 (1984).

165. *Yankee Candle Co., Inc. v. Bridgewater Candle Co.*, 259 F.3d 25, 34 (1st Cir. 2001).

166. An author's work has been improperly appropriated when there is substantial similarity between her work and the copied work and too much of the copyrightable elements of the original work were taken. *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 121 (2d Cir. 1930).

167. 17 U.S.C. § 102 (2000).

168. *See, e.g., Concrete Mach. Co. v. Classic Lawn Ornaments, Inc.*, 843 F.2d 600, 606 (1st Cir. 1988) (explaining that copyright is not bar to copying expression when there is essentially only one way to express an idea).

169. *Beaudin v. Ben and Jerry's Homemade, Inc.*, 95 F.3d 1, 2 (2d Cir. 1996).

170. *Well-Made Toy Mfg. Corp. v. Goffa Int'l Corp.*, 210 F. Supp. 2d 147, 163 (E.D.N.Y. 2002).

to case.¹⁷¹ The law provides greater protection for works with more expressive content, thereby creating greater incentives to produce such work.

Similarly, the closer works are to the core of copyrightable expression, the less an otherwise infringing use is considered fair for the purpose of the defense.¹⁷² Proving the quantum of originality and creativity for a copyright infringement action is analogous to showing “the nature of the copyrighted work” in a fair use defense.¹⁷³ “Some works are closer to the core of intended copyright protection than others, with the consequence that fair use is more difficult to establish when the former works are copied.”¹⁷⁴ Likewise, the “substantial similarity” element in the infringement action is reflected in the third element of fair use defense requiring consideration of the amount and substantiality of the portion used in relation to the copyrighted work as a whole.”¹⁷⁵ Because the fair use test is a balancing test, however, there are countervailing considerations that are not part of the infringement test.

The first (purpose and character of the use) and fourth (the effect of the use on the potential market) factors of the copyright fair use test make the policies advanced through copyright law relevant in determining whether an alleged infringer’s use is actually fair. This is analogous to considering the value of the descriptive use of the term in a classic trademark fair use balancing. Examining the purpose and character of the use, as the first copyright fair use factor requires, raises issues of whether the copied work is used for a commercial or a

171. Harper & Row, Publishers, Inc. v. Nation Enters., 471 U.S. 539, 563 (citing Robert A. Gorman, *Fact or Fancy? The Implications for Copyright*, 29 J. COPYRIGHT SOC’Y 560, 561 (1982)).

172. See, e.g., Bond v. Blum, 317 F.3d 385, 395 (4th Cir. 2003) (“This [second factor in the fair use defense] focuses attention on the extent to which a work falls at the core of creative expression. Thus, for example, a fictional work might be closer to the core of copyright than a factual work.” (citing Campbell v. Acuff-Rose Music, Inc., 495 U.S. 570, 586 (1994))).

173. In an infringement action, a work with a “thin” copyright has less protection because the work has fewer copyrightable elements. Feist Publ’ns, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 349 (1991) (finding plaintiff’s factual compilation of addresses and telephone numbers a “thin” copyright).

174. Campbell v. Acuff-Rose Music, Inc., 495 U.S. 570, 586 (1994).

175. In an infringement context, improper appropriation is proved by showing (1) substantial similarity between the works, Steinberg v. Columbia Pictures Indus., Inc., 663 F. Supp. 706, 711 (S.D.N.Y. 1987) (defining substantial similarity as copying recognizable by a lay observer), and (2) too much copying of protectable expression, Nichols v. Universal Pictures Corp., 45 F.2d 119, 121 (2d Cir. 1930) (finding no infringement where defendant’s work, though similar to plaintiff’s, did not copy any protectable expression). Likewise in a fair use defense, the defendant’s copying no more than is necessary to achieve his (fair) purpose for the work weighs in favor of fair use. *Campbell*, 510 U.S. at 586–87.

nonprofit, educational purpose¹⁷⁶ and whether it is transformative,¹⁷⁷ just as fair use in trademark raises the question of how the owner's mark was used. Finding that a copyrighted work is used commercially weighs against fair use because it allows the copier to profit from another's original work without paying royalties.¹⁷⁸ This conclusion impedes copyright law's goal of rewarding an author with an economically beneficial monopoly. On the other hand, finding a work is transformative weighs in favor of fair use because it furthers the copyright goal of promoting creation of original works.¹⁷⁹ The analogy to trademark law is straightforward—use as a mark weighs against the alleged infringer while use to describe weighs in favor.

The first and fourth factors together highlight the conflict between the desire to encourage creativity through financial incentives and the desire to encourage creativity through free access to expression. If a use has little effect on the market potential or value of the copyrighted work, as analysis of the fourth factor might reveal, preventing the use is unnecessary because the use does not impede the copyright goal of providing incentives to create.¹⁸⁰ In fact, restricting a use that has no effect on the copyrighted work's market potential would have a contravening impact on copyright policy because it would "inhibit access to ideas."¹⁸¹ Similarly, if a descriptive use of a trademark causes little confusion about source, preventing the use is less necessary because, while it may harm goodwill, it also informs consumers and encourages competition.

Avoiding a bright line test in copyright law, the balancing approach to fair use allows a more fluid determination of whether a

176. *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 562 (1985).

177. A work is transformative when it "adds something new, with a further purpose of different character, altering the first with new expression, meaning, or message." *Campbell*, 510 U.S. at 579 (1994).

178. *See id.* at 583–85.

179. Transformative works "lie at the heart of the fair use doctrine's guarantee of breathing space within the confines of copyright, and the more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use." *Id.* at 579 (citations omitted).

180. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 450 (1984); *Campbell*, 510 U.S. at 590. In *Sony Corporation of America*, copyright owners of television programs sued manufacturers of home videotaping machines for copyright infringement. Although users of the defendants' machines normally copied entire copyrighted television programs without change (factors 2 and 3), the court found that the use was fair because it did not impede any copyright policies (factors 1 and 4), *Sony Corp. of Am.*, at 464 U.S. at 454–55. Thus, in that case the policy considerations trumped the considerations that seemed to indicate infringement.

181. *Sony Corp. of Am.*, 464 U.S. at 450–51.

defendant's use hinders the goals of copyright law in a fact-specific situation.¹⁸² The balancing approach to classic trademark fair use is similar to copyright fair use. It allows an analysis that balances factors relevant to the policy objectives by allowing likelihood of confusion to be relevant, though not determinative. Rather than a bright line test requiring a complete absence of confusion, fair use should be a more flexible analysis that considers whether the use impedes the policy objectives of trademark law.

D. Fair Use in K.P. Permanent

The balancing test described in this Part can readily be applied to the issues presented by *K.P. Permanent*. KP's motion for summary judgment raised issues dispositive of both its action for declaratory relief and its classic fair use defense.¹⁸³ Only the later set of issues is relevant to the question before the Supreme Court. Lasting Impression's motion for summary adjudication does not involve any issues directly related to the relationship between confusion and descriptive use.¹⁸⁴ The available evidence suggests that there was neither appreciable harm nor great benefit associated with permitting KP's use. Nevertheless, evidence on questions related to likelihood of confusion from KP's use, potential harm to Lasting Impression's goodwill, whether the term was used as a mark or to describe, and the benefits of descriptive access was not considered because of the Ninth Circuit's requirement that there be no likelihood of confusion. Accordingly, the Supreme Court should remand the case to the Ninth Circuit to reconsider the evidence in light of the balancing test. If the evidence was not sufficiently developed for the Ninth Circuit to make a decision, it should remand the question to the District Court, but for entirely different reasons than articulated in its opinion.

1. The Mark Owner's Goodwill

Evidence of a mark owner's goodwill and the potential for harm comes from evidence of inherent distinctiveness, successful investment of resources, and continuous exposure to consumers over time. It is the marketing value of the trademark as a signal of source, qualities, and characteristics of products—consumer recognition of

182. *Campbell*, 510 U.S. at 578 (noting that “[a]ll [fair use factors] are to be explored, and the results weighed together, in light of the purposes of copyright”).

183. *K.P. Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 328 F.3d 1061, 1066 (9th Cir. 2003).

184. *Id.*

the mark, association of the mark with a single source, and acceptance of that mark—that gets trademark protection.

There was little support for concluding that Lasting Impression's mark, or at least the words "micro color" in the graphic, carried a great deal of goodwill. There was no genuine issue of material fact as to whether the words were generic,¹⁸⁵ but the Ninth Circuit's conclusion that the mark was protectible was based only on the incontestability of the mark, not on an analysis of other bases for establishing its strength.¹⁸⁶ The Ninth Circuit rejected KP's summary judgment argument that the mark was descriptive and without secondary meaning, holding that "Lasting's incontestable registration is conclusive evidence that the mark is non-descriptive or has acquired secondary meaning,"¹⁸⁷ citing the Supreme Court's opinion in *Park 'N Fly*.¹⁸⁸ *Park 'N Fly* stands for the proposition that a registrant with an incontestable mark has the right to use the mark.¹⁸⁹ An alleged infringer cannot challenge the strength or distinctiveness of the mark based on descriptiveness or lack of secondary meaning because the mark is conclusively presumed valid.¹⁹⁰ But incontestability status supplies no information or presumption about the strength of a mark, so that status alone does not establish that the mark actually carries goodwill.

Long and continuous use combined with other indicia of a mark's selling power may offer evidence of the goodwill associated with that mark.¹⁹¹ The mark in this case has been registered since 1993,¹⁹² which gives others constructive knowledge of Lasting Impression's claim to ownership of the mark,¹⁹³ but does not provide evidence of the goodwill associated with the mark. In its unreported decision, the District Court had held that the mark was generic or

185. *Id.* at 1070.

186. *Id.*

187. *Id.*

188. *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189 (1985).

189. *Id.* at 196 ("Thus, § 33(a) would have allowed respondent to challenge petitioner's mark as merely descriptive if the mark had not become incontestable. With respect to incontestable marks, however, § 33(b) provides that registration is *conclusive* evidence of the registrant's exclusive right to use the mark, subject to the conditions of § 15 and the seven defenses enumerated in § 33(b) itself. Mere descriptiveness is not recognized by either § 15 or § 33(b) as a basis for challenging an incontestable mark.").

190. *Id.*

191. *See* Part IV.C, *supra*.

192. *K.P. Permanent I*, 328 F.3d at 1065.

193. 15 U.S.C. § 1072 (2000) ("Registration of a mark on the principal register . . . shall be constructive notice of the registrant's claim of ownership thereof.").

descriptive without proof of secondary meaning.¹⁹⁴ While this evidence is not relevant to the right of Lasting Impression to use its incontestable mark, if upheld it does show that the mark is not inherently distinctive. The Ninth Circuit's holding that the mark was not generic as a matter of law,¹⁹⁵ while refusing to consider the descriptiveness claim meant that there was no discussion of any other evidence related to distinctiveness. Nor was there any discussion of acquired distinctiveness though investment or notoriety. On the basis of the evidence discussed by the Ninth Circuit, there is no reason to conclude that great harm to goodwill is likely to result from another's descriptive use,¹⁹⁶ but that evidence is largely undeveloped.

2. Use as a Mark

The Ninth Circuit asserted without analysis that KP's use of the term "micro color" was descriptive of its own products.¹⁹⁷ The court did not consider the commercial impression created by the use or any argument that the term was used as a mark, alluding only to the likelihood of confusion.¹⁹⁸ Commercial impression may start with a classification of the strength of the mark (which the Ninth Circuit did not consider beyond its generic nature), but must go ultimately to how consumers interpret the term in context.

194. *K.P. Permanent I*, 328 F.3d at 1066.

195. *Id.* at 1070.

196. Arguments in the parties' briefs presented to the Ninth Circuit present a question of fact regarding whether Lasting Impression's mark carried any goodwill. Lasting Impression argued its mark had secondary meaning, offering evidence (a) of testimony by its distributor on consumers' association of the mark with Lasting Impression, (b) that the only one competitor other than KP using the "MICRO COLORS" mark had ceased doing so on its request, (c) of advertising by itself and its affiliate, and (d) a trade magazine reference to "micro colors" as Lasting's brand name. Appellant's Brief at 19, *K.P. Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 328 F.3d 1061 (9th Cir. 2002) (No. 01-56055), available at 2002 WL 32103603 [hereinafter Appellant's Brief]. KP argued that (a) the testimonial evidence should be given little weight because it is biased, (b) the competitive use was not as a mark but descriptive and other competitors have used related descriptive terms, (c) the fact of advertising is not persuasive as it is effectiveness, and (d) the reliability, independent, and reputation of the magazine were questionable. Appellee's Brief, *supra* note 22, at 11. At best, Lasting Impression's evidence is weak evidence of harm to goodwill, falling far short of proof that the mark is, for instance famous. See *supra* note 69.

197. *K.P. Permanent I*, 328 F.3d at 1072. This finding obviated the need to consider whether the use was nominative, and thus descriptive of the owner's product, rather than merely descriptive. *Id.* at 1071-72.

198. *Id.* at 1072-73 (holding that there were genuine issues of material fact related to likelihood of confusion).

Lasting Impression objected to the highly stylized use of the term in the heading for the color chart.¹⁹⁹ The changing type faces, the image of the dripping vial, and the prominence of the term are all, it claimed, evidence that the term was being used to get attention, rather than simply to describe.²⁰⁰ The use of these devices does give the chart heading the appearance of a logo.

KP argues that, in the context of a ten page brochure, “micro color” in combination with the words “pigment chart” only accurately describe the chart.²⁰¹ The typefaces and graphics might be interpreted as an ornamental use²⁰² rather than use as a mark. There was no evidence of other marketing uses or attachment of the mark to the product,²⁰³ except for KP’s plain typeface use on the bottles to indicate color, e.g., “MICROCOLOR: BLACK,” that preceded Lasting Impression’s first use²⁰⁴ and to which Lasting Impression did not object. Commercial impression based on these provides only a weak basis for concluding that KP used the term as a mark, but the Ninth Circuit did not consider these arguments.

3. Value of Descriptive Access

Just as there is only weak evidence supporting a loss of goodwill and that the term was used as a mark, there is also only weak evidence of any competitive necessity to use the term descriptively. The best evidence in favor of permitting KP descriptive access to the term “micro color” as a heading for its pigment color chart is that it has historically (and prior to Lasting Impression’s first use) used “micro color” on its bottles to describe the contents. It would be helpful to use the same term on the bottles and the chart. Yet, Lasting Impression might not have objected to a plain typeface heading on the chart.²⁰⁵ In addition, the Ninth Circuit in its discussion of the generic

199. Appellant’s Brief, *supra* note 196, at 32.

200. *Id.*

201. Appellee’s Brief, *supra* note 22, at 49–50.

202. See *supra* text accompanying notes 85–89.

203. The typical appearance of a mark on goods is as an attachment to goods. See 15 U.S.C. § 1127 (2000) (defining “use in commerce” on goods as occurring when the mark “is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto.”)

204. K.P. Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 328 F.3d 1061, 1065 (9th Cir. 2003).

205. Appellant’s Brief, *supra* note 196, at 16 (“The use of microcolor in the brochures cannot be said a good faith fair use because it serves no descriptive purpose and, to the contrary, is in the form of a logo that the consuming public could readily understand was a source-identifying designation in trademark form.”).

nature of the term “micro color,”²⁰⁶ and both parties in their appellate briefs²⁰⁷ emphasized the availability of other, more obvious terms for describing the colors, such as “micro pigmentation colors” or “micro pigments.” KP’s case for necessity rests on its history of use and the convenience of abbreviation. While weak evidence of likely harm suggests that the use should be allowed, the weak evidence of competitive necessity makes public access to the term less compelling. Because it gives dispositive weight to the likelihood of confusion, the Ninth Circuit did not consider the value of descriptive access.

4. Likelihood of Confusion

The Ninth Circuit assumed that confusion could result from a descriptive use.²⁰⁸ The District Court did not reach the question of likelihood of confusion because Lasting Impression’s mark was not protectible because it was either generic or descriptive without secondary meaning and KP’s use was descriptive. The Ninth Circuit identified its *Sleekcraft* factors as the appropriate test, but, without analysis, concluded that there were genuine issues of material fact with respect to likelihood of confusion.²⁰⁹ Part IV of this article described the relevance of this determination to the various elements of the balancing test.

The balancing test calls for consideration of the harm from consumer confusion. While Lasting Impression argued that all factors favored a finding of confusion,²¹⁰ KP argued that there was no actual confusion, the appearance of the term in its use was dramatically dissimilar from Lasting Impression’s composite mark, that the professionals who bought the pigments were sophisticated consumers, and that Lasting Impression’s mark was weak.²¹¹ If some confusion is acceptable given the value of descriptive access, as the balancing test suggests, there may, in fact, be material question of fact with respect to both the confusion and the balancing for the District Court to decide.

206. *K.P. Permanent I*, 328 F.3d at 1069–70.

207. Appellant’s Brief, *supra* note 196, at 14–15; Appellee’s Brief, *supra* note 22, at 12–13.

208. *K.P. Permanent I*, 328 F.3d at 1072.

209. *Id.*

210. Appellant’s Brief, *supra* note 196, at 9–10, 21.

211. Appellee’s Brief, *supra* note 22, at 30–32.

5. Fairness and Good Faith

Having concluded that the absence of confusion was essential to a classic fair use defense, the Ninth Circuit did not consider whether the descriptive use was fair or in good faith. The Ninth Circuit did not engage in balancing. Further, the court did not consider the extent to which Lasting Impression's goodwill was harmed, the benefits to consumers from KP's use, or the competitive necessity for KP's use. The balancing test considers the net effect of what might be a weak case for established goodwill, an undetermined amount of consumer confusion, and a weak case for benefits from public access. Because evidence was not well developed on many of these issues in the District Court, the Ninth Circuit would be justified in reversing the District Court's grant of summary judgment for KP and remanding for further proceedings. This result comes for vastly different reasons than those presented by the Ninth Circuit. Thus, the Supreme Court should remand the case to the Ninth Circuit with instructions to rule on KP's summary judgment motion taking the balancing of competing objectives into account.

V. INCONTESTABILITY

The balancing test may appear to interfere with the policies underlying the incontestability provisions in Section 15 of the Lanham Act.²¹² Any true defense, one that is available even if a plaintiff has presented a *prima facie* case of infringement, gives less protection to incontestable marks than the Ninth Circuit's approach, which is not really a defense at all.²¹³ The balancing test is, however, consistent with and promotes those policies.

Allowing a mark to become incontestable serves three main purposes: (1) to quiet title to a mark after a long period of continuous use²¹⁴ by giving the incontestable mark owner the benefit of a conclusive presumption "of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce . . . in connection with the goods or services specified;"²¹⁵

212. 15 U.S.C. § 1065 (2004).

213. See *supra* notes 42–45 and accompanying text.

214. *Park 'N Fly v. Dollar Park and Fly*, 469 U.S. 189, 198 (1985).

215. 15 U.S.C. § 1115(b) (2000).

(2) to encourage registration;²¹⁶ and (3) to motivate producers to invest in the goodwill associated with their marks.²¹⁷ In this section, we examine whether the balancing test for fair use furthers or inhibits the purposes of incontestability.

The balancing test does not affect the first purpose, and is therefore compatible with it. Incontestable status, available to registered marks that have been in continuous use for five years, remains conclusive evidence of ownership and exclusive rights in a mark as well as the mark's validity, subject to statutorily enumerated means of showing defects.²¹⁸ Since it is conclusive evidence of ownership and exclusive rights, incontestable status quiets title in the mark,²¹⁹ relieves the mark's owner of the burden of fighting challenges to its validity, and limits the adversary's means of challenge.²²⁰

The Supreme Court confirmed that a defendant in an infringement action could not challenge the validity of an incontestable mark in *Park 'N Fly v. Dollar Park and Fly*.²²¹ It is important to distinguish between the validity of a mark and the scope of protection a valid mark deserves. A majority of courts have held that the *Park 'N Fly* holding does not prevent an alleged infringer from challenging the scope of protection of an incontestable mark.²²² Thus, a mark's validity does not determine its strength or, because it depends on strength, the mark's scope of protection. The balancing test gives deference to the validity of the mark as ordered by *Park 'N Fly*, but it allows the strength of the mark to be considered as a factor in establishing the fairness of a descriptive use.

The balancing test strongly supports the second and third purposes of incontestability: to encourage registration and investment in goodwill. Investing in a mark's goodwill increases the strength of that mark because it becomes more recognizable to consumers as an indicator of quality and source. Stronger marks therefore have a broader scope of protection because of their higher value. In the balancing test, broader protection accompanies the greater likelihood

216. *Park 'N Fly*, 469 U.S. at 198, citing *Hearings on H.R. 82 Before a Subcomm. of the Senate Comm. on Patents*, 78th Cong., 2d Sess. 21 (1944) (testimony of Daphne Robert, Member of the Trademark Litigation Committee, ABA).

217. See *Park 'N Fly*, 469 U.S. at 198.

218. Lanham Act §§ 15 and 33(b), 15 U.S.C. §§ 1065 and 1115(b) (2000).

219. *Park 'N Fly*, 469 U.S. at 198.

220. *Id.* at 196 (interpreting 15 U.S.C. § 1115 (b)).

221. *Id.* at 205.

222. MCCARTHY, *supra* note 1, at § 32:155.

of confusion and greater goodwill resulting from greater consumer association of the strong mark with a particular source and quality. Where the mark is strong, it is more likely the fair use balance will favor the mark owner.

If likelihood of confusion were not a factor in balancing fair use of another's mark, mark owners would have less incentive to invest in goodwill. Without the consumer protection and goodwill and competition objectives in the balance, others would be able to use an incontestable mark based only on its descriptive desirability, frustrating trademark policy, so long as the other requirements of § 33(b)(4) were satisfied. The balancing test is, therefore, completely compatible with the goals of incontestability status and other policy objectives.

The balancing approach to fair use provides less protection to incontestable marks than a rule that ignores the strength of the owner's mark, but remains in step with Congress' balance of rights and court's view of incontestability. The benefits of incontestability were not meant to be boundless. Incontestable marks owners are not relieved from the burden of proving the elements of an infringement claim.²²³ Even though Congress determined that "a sound public policy requires that trademarks should receive nationally the greatest protection that can be given them,"²²⁴ it has enumerated nine defenses and defects to benefit alleged infringers.²²⁵ Some of these nine are means to challenge the validity of the mark and owner's right to use the mark.²²⁶ But even if the mark is valid, alleged infringers may prevail by demonstrating fair use,²²⁷ prior right,²²⁸ that the mark is being used to violate the antitrust laws,²²⁹ or other equitable defenses.²³⁰ The Supreme Court's decision in *Park 'N Fly* does not prevent consideration of the strength of an incontestable mark from being used in a likelihood of confusion analysis. In fact, the Court specifically recognized that likelihood of confusion could be analyzed

223. 15 U.S.C. § 1115(b) (2000). However, the plaintiff's exclusive right to use the mark is conclusively established by incontestability. *Id.*

224. *Park 'N Fly*, 469 U.S. at 193 (quoting S. REP. NO. 1333, at 6 (1946)).

225. 15 U.S.C. § 1115(b)(1)-(9) (2000).

226. Marks may be challenged if the registration was obtained fraudulently, § 1115(b)(1), or the mark has been abandoned, § 1115(b)(2), or misrepresents the source, § 1115(b)(3), or is functional, § 1115(b)(8).

227. § 1115(b)(4).

228. § 1115(b)(5) and (6).

229. § 1115(b)(7).

230. § 1115(b)(9) (including the equitable defenses of laches, estoppel, and acquiescence).

on remand,²³¹ and, on remand, the Ninth Circuit found there was a likelihood of confusion.²³² The majority of Courts of Appeal have held that the strength of an incontestable mark may still be debated in an infringement analysis.²³³

If the balancing test did not consider the value to competition and to consumer choice of descriptive use of terms, a mark owner's rights would trump consumers' conflicting interests, thereby thwarting the broader objectives of trademark law.²³⁴ KP's Petition for Certiorari indicates its concern for establishing a doctrine of fair use that increases certainty in trademark law.²³⁵ Although an approach that balances factors is inherently less certain than a bright line rule, it does not leave mark owners and others wholly unaware of whether a fair use defense would be successful. The criteria for evaluating fair use and the evidence parties would present are familiar from other areas of trademark law. Moreover, mark owners know exactly what to do to increase their chances of preventing a fair use defense: select marks less likely to be used descriptively, to and invest in their goodwill. That is precisely what trademark law generally encourages.

CONCLUSION

Trademark law seeks to strike an appropriate balance between the overlapping and competing interests of consumers, mark owners, and the market. From a consumer perspective, it favors tight protection of marks so that consumers can rely on marks as indicators of source and quality. On the other hand, allowing competitors to make limited use of another's mark benefits consumers by increasing information about alternative goods or services and increasing competition which decreases costs for these items. Similarly, mark-owners benefit from exclusive use of their marks because they invest in their marks' goodwill to establish consumer recognition and loyalty. However, nonexclusive mark protection lowers entry barriers for new competitors by, for example, allowing them to use another's mark descriptively to convey information to consumers about its own product or service. Such uses also serve the market's interest in promoting competition. Despite the market-based advantages to these uses, such utilization must be limited so that consumers are not

231. Park 'N Fly v. Dollar Park and Fly, 469 U.S. 189, 205 (1985).

232. Park 'N Fly v. Dollar Park and Fly, 782 F.2d 1508, 1509 (4th. Cir. 1986).

233. MCCARTHY, *supra* note 1, at § 11:74.

234. See *supra* Part I.

235. Petition for Cert., *supra* note 39, at *12.

confused about the source of the goods or services so that vigorous competition is not impeded.

Trademark law's fair use defense mediates between these interests by allowing another to use a mark owner's term in a descriptive, non-source-indicating manner. Despite the connection between these competing interests and the purpose of the fair use defense, courts have routinely applied the fair use defense mechanically, without examining the policy it represents. We propose adopting a balancing test for classic fair use of trademarks that allows a use only when the benefits of the descriptive use to consumers and competition outweigh the harm to consumers from confusion and to mark owners from damaged goodwill.

Our approach recommends that courts consider a mark's distinctiveness and whether it is used as a source-indicator in light of the commercial impression of the use. Likelihood of confusion plays a supporting role in these determinations: consumer confusion about the source or sponsorship of goods bearing another's mark may indicate that the use was not to describe. Our approach also considers independently the strength of and injury to a mark owner's goodwill and the likelihood of confusion in the marketplace and its potential injury to competition. Ultimately, whether the mark is used fairly and in good faith, and is therefore entitled to the fair use defense, depends on balancing these factors and determining if the benefits of the use outweigh its harms.

This approach is better than either of the approaches advocated by KP or Lasting Impression for several reasons. First, by treating likelihood of confusion as a relevant, but not dispositive factor, our approach allows competing policy interests to be considered in fashioning an equitable result in a fair use case. Weaving likelihood of confusion into a fair use analysis will not be difficult or burdensome for courts because they are already accustomed to evaluating factors related to likelihood of confusion in the infringement context. Adopting a balancing test for classic fair use of trademarks also brings that doctrine into line with other types of fair use in intellectual property law. The nominative, comparative, and artistic fair use trademark defenses as well as the test for fair use in copyright each employ a balancing test to determine whether the use of the mark or the copyrighted work, respectively, was fair.

Trademark law is designed to protect and advance the interests of consumers, producers, and the market. While some of these interests overlap, others are at odds with each other. To determine whether use of another's mark is truly fair, the interests of all parties

should be considered and balanced. When the benefits of the use outweigh its harms, the use should be considered fair.

